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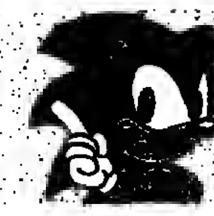

Playing to win
Kick start for computer games
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FINANCIAL TIMES

Europe's Business Newspaper | THURSDAY NOVEMBER 17 1994 | D8523A

Ukraine parliament ratifies anti-nuclear treaty by big margin

The parliament of Ukraine, the world's third-largest nuclear power, has ratified the nuclear Non-Proliferation Treaty by a wide margin. The vote closed a chapter in the country's hesitant progress towards abandoning nuclear weapons inherited from the Soviet Union. The long-awaited decision looks set to improve strained relations with the west and Russia. It is also a significant victory for President Leonid Kuchma a week before his summit with US *President Bill Clinton*. Page 22

Major stakes future on EU bill: British prime minister Mr John Major acted swiftly to quell a revolt among Tory Eurosceptics by staking his administration' future on a bill allowing higher contributions to the European Union. It means Mr *Major must call a general election if it is defeated* or substantially amended. Page 23; Issue of confidence, Page 11

New sea law sparks war fears in Aegean

A US warship was yesterday monitoring Greek and Turkish naval activities in the Aegean, where a new international law has triggered fears of war. The UN Convention on the Law of the Sea has been hailed in Athens as vindication of its right to extend its territorial waters from six *miles to 12. Turkey has* said that any such move by Athens would turn the Aegean into a Greek lake and be resisted by force. *Greece says it has no plans to extend its territorial* waters, but it will not renounce the right to do so et some future date. Mr Mumtaz Soysal, the Turkish foreign minister met Mr Karolos Papoulis, (above), his Greek counterpart, in the Hague this week but there was little sign of a change in positions. Page 22

Pre-budget boost: Better than expected figures for UK inflation, unemployment and the public finances have provided Mr Kenneth Clarke, the chancellor, with a strong base for a confidence-building budget in 12 days time. The data reduced fears that Britain raise interest rates soon. Page 10

Exxon, the US energy group, has agreed with the Indonesian government to develop the giant Natuna natural gas field in the South China Sea. Page 23

National Gypsum, the second largest US maker of plasterboard, has received a $940m bid from a North Carolina-based investor group led by Golden Eagle Industries. Page 23

Renault flotation: The partial privatisation of the French motor group attracted 1.09m private investors and was 1.4 times subscribed, economy minister Edmond Alphandéry said. Page 23; Strategic questions, Page 24

Fears over Europe's outlook: Nearly half of European business leaders surveyed think China and south-east Asia are likely to outstrip North America and Europe in economic power by early next century. Page 4

Lehman sues Chinese companies: Lehman Brothers, the US investment bank, is suing three of China's biggest trading companies for allegedly failing to pay nearly $100m in debts arising from foreign exchange trading. Page 7

Vietnam to get $2bn extra aid: Vietnam has been promised $2bn in new assistance at a foreign aid donors conference in Paris which warmly endorsed the country's achievement in boosting economic growth this year to 8.5 per cent while keeping inflation low. Page 6

Germany's funding need falls: A sharp improvement in the German government's cash position has helped cut the new borrowing requirement of the public sector by about two-thirds this year, according to the Bundesbank. Page 2

Morgan Stanley profits drop 35%: Morgan Stanley announced a 35 per cent drop in third-quarter profits to $118m, or $1.30 a share, as the Wall Street firm followed the rest of the US securities industry in reporting sharply weaker earnings for the latest period. Page 25

Japanese fillip for foreign brokers: Foreign brokers operating in Japan saw a rise in revenue in the six months to September due to a sharp rise in trading profits. Page 26

London metal market soars: Copper, aluminium and lead prices hit new four-year peaks in frenzied fund and speculative buying on the London Metal Exchange. Nickel and zinc reached two-year highs. Page 32

■ STOCK MARKET INDICES		
FT-SE 100:	3,146.5	(+11.1)
Yield	4.07	
FT-SE Eurotrack 100	*1,358.69*	(+3.99)
FT-SE-A All-Share	1,550.2	(+0.4%)
Nikkei	19,396.66	(-85.02)
New York: lunchtime		
Dow Jones Ind Ave	3,833.77	(+7.41)
S&P Composite	455.30	(+0.27)
■ US LUNCHTIME RATES		
Federal Funds:	$5\frac{1}{2}$%	
3-mo Treas Bills: Yld	5.509%	
Long Bond	$93\frac{1}{2}$	
Yield	8.073%	
■ LONDON MONEY		
3-mo Interbank	$6\frac{1}{32}$%	($6\frac{1}{8}$%)
Liffe long gilt future:	*Dec $102\frac{1}{8}$*	*(Dec $102\frac{1}{32}$)*
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$16.56	(16.62)
■ Gold		
New York Comex (Dec)	$386.8	(387.3)
London	$386.2	(386.95)

■ STERLING		
New York lunchtime:		
$	1.5745	
London:		
$	1.5713	(1.5826)
DM	2.4371	(2.4456)
FFr	8.3695	(8.4039)
SFr	2.0502	(2.0566)
Y	154.595	(155.446)
£ Index	79.7	(80.1)
■ DOLLAR		
New York lunchtime:		
DM	1.54975	
FFr	5.3236	
SFr	1.3045	
Y	98.325	
London:		
DM	1.5510	(1.5454)
FFr	5.3265	(5.3104)
SFr	1.3048	(1.2995)
Y	98.30	(98.225)
$ Index	62.4	(62.2)
Tokyo close Y 98.62		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30
Bulgaria	Lv60.00	Iceland	IKr215	Neth	R 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira80	S. Africa	R12.00
Czech Rp	CZK50	Israel	Shk9.90	Norway	NKr17.00	Spain	Pta225
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso60	Syria	S£50.00
Finland	FM14	Kuwait	Fils625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (mainland)		Turkey	L30000
Germany	DM3.60	Lux	LFr65		Es225	UAE	Dh12.00

President may try to avoid election as premier fails to appease partners

Irish government on course for collapse as Spring resigns

By John Murray Brown in Dublin

The collapse of the Republic of Ireland's coalition government seemed inevitable last night as Mr Dick Spring, the Labour leader, announced his resignation as deputy prime minister. He said the other five Labour party ministers would also quit the Fianna Fail-led government.

Mr Spring's decision came at the end of a day of high political drama in which Mr Albert Reynolds, the prime minster, in e last-ditch act of political contrition aimed at regaining Labour support, conceded his mistake in appointing Mr Harry Whelehan, the attorney-general, as president of the High Court. Mr Whelehan has been under fire for his department's failure to act for seven months on a request from British-ruled Northern Ireland for the extradition of a priest who was later convicted of child sex-abuse.

Mr Reynolds last night seemed certain to go to President Mary Robinson to seek an early disso*lution of parliament and* an early general election. However, there was growing speculation that the president would use her powers under the constitution to force the parties to create a new coalition within the existing parliament.

One factor is likely to be a wish to do as little damage to the Northern Ireland peace process as possible.

After a day of farce rich in rumour, Dublin was in sombre mood last night as Mr Reynolds etruggled to save his political career. In a 45-minute address to the Dail, the Irish parliament, Mr Reynolds offered what he called the "full facts, the unvarnished *facts*" on the extradition case.

He said he had acted unwisely in the attorney-general's appointment.

Mr John Bruton, leader of the main opposition Fine Gael party, *said*: "What has happened in the last hour, I believe, has done appalling damage to the relations between the legislature and the judiciary."

He accused the prime minister of "setting out to destroy everyone else so that he may save himself."

With opposition MPs threatening to reveal new evidence to "rock the foundations of the state," it was not until 6.45pm that Mr Spring, the architect of the crisis, rose to speak for the first time in this two-day Dail drama.

After three separate adjournments the Dail was in its fourth separate sitting when Mr Reynolds conceded his error in the appointment of the attorney-general. Amid speculation about a document showing official interference to block the extradition of the paedophile priest, the prime minister reported that he had now contacted all members of the attorney-general's office except one man on holiday in the US and one in transit from a visit to Macedonia.

As the story, in Mr Reynolds's own phrase, "fluctuated" around, attention was drawn to Maynooth, a Catholic seminary, where Cardinal Cahal Daly dismissed as "utterly absurd" and "a total fabrication" the existence of a letter purportedly from a Catholic bishop.

Facing a crisis: Irish prime minister Albert Reynolds arrives at the Dail, the Irish parliament, yesterday. His Fianna Fail-led government looked set to fall last night after Labour leader and deputy premier Dick Spring pulled out of the two-year-old coalition and said he would vote against a motion of confidence in the government. Picture Reuter

Italy launches $4.58bn eurobond issue

By Graham Bowley in London and Andrew Hill in Milan

Italy yesterday launched the largest eurobond issne of the year in order to complete its international borrowing programme for 1994.

The issue takes the amount the country has borrowed on foreign markets this year to $11.6bn, making it the world's second-largest borrower on *international* bond markets.

The Y450bn ($4.58bn) issue is the *largest offering of yen-denominated* bonds ever offered outside the Japanese government bond market. It is the high point of a four-year campaign by the Italian treasury to increase international investors' interest in the country's bond market – the world's largest outside the US and Japan.

The strategy has proved a success, with the proportion of Italy's debt held by outside investors increasing from 4 per cent to 6.9 per cent between 1990 and 1992, and reaching a peak of 14.5 per cent last February.

However, since May this year, international bond and equity investors have been frightened away from the Italian market by uncertainties about the future of the rightwing coalition led by Mr Silvio Berlusconi. Italian treasury officials believe the proportion of foreign investment may have dropped below 10 per cent.

However, Mr Vincenzo La Via, a director of foreign borrowing at the Italian treasury, hailed the offering as e success. Bond traders said interest from European investors was disappointing, but *Mr La Via said there had been* strong demand from Japan.

The issue comes amid continued political sparring between government, opposition and trade unions – and within the coalition itself – over the 1995 budget. Aimed et cutting Italy's large annual deficit, the budget was at first welcomed as tougher than expected. But analysts now fear it may have to be toned down to win parliamentary approval by the December 31 deadline.

Mr Berlusconi has used confidence motions this week to force sensitive elements in the budget through the chamber of deputies.

Italy has turned to the Japanese yen market for all three of its main foreign borrowing operations this year. in January it borrowed Y300bn, and in June it borrowed Y175bn as part of e $4bn multi-currency transaction.

The bond offering was eplit *into three separate* issues, of three-, 10- and 20-year bonds, designed to appeal to Japanese and European investors.

Euromarkets, Page 27

Union Carbide and Mitsubishi sell electrodes arm

By Tony Jackson in New York

Union Carbide of the US and Mitsubishi of Japan are to sell UCAR, their jointly owned graphite electrodes business, to the New York investment group Blackstone in a deal valuing it at $1.1bn. Union Carbide will retain a 25 per cent holding and Mitsubishi none.

UCAR is the world's biggest maker of graphite and carbon electrodes, which are used in steelmaking. Sales last year were *$770m. The deal values UCAR's* equity at $820m, and Blackstone will also assume debt of about $190m. That replaces the planned flotation of about 44 per cent of UCAR, announced last month.

Union Carbide will receive $347m, resulting in a significant capital gain, the company said. Mitsubishi, which bought a half-share in UCAR in 1991, will receive $406m for its entire holding. Mitsubishi said that would *result in a profit of Y17.6bn* ($183.33m) over book value.

Union Carbide said the sale effectively completed a programme of disposals begun in 1991, designed to return the group to its core activities in chemicals and plastics. At the time, the group said it aimed to realise $500m from the sale of non-strategic assets. The target was reached last year with the $300m disposal of its organosilicon *business, OSI Specialties.* The company has also spun off its industrial gases subsidiary.

It is understood that the flotation plan was shelved because Blackstone offered a higher price. It is also believed that Mitsubishi decided to sell out because it was reluctant to hold a minority position.

Mr Stephen Schwarzman, president and chief executive officer of Blackstone, said the equity investment in the buy-out would be $250m, with 75 per cent supplied by his firm and 25 per cent by Union Carbide. A particular attraction of the deal, he said, was that UCAR'e products are used particularly in the fast-growing mini-mill sector of the steel industry, which is little affected by recession.

The total cost of the transaction including fees and overseas taxes would be about $1.2bn, Mr Schwarzman said. Of that, $950m would be funded by debt and $250m by equity. Close to $200m of the equity would be put in by Blackstone, he said, with the *remainder coming from Union* Carbide.

In addition, he said, two-thirds of UCAR's sales are outside the US. "We think that as Europe comes out of recession, we'll get the benefit of exposure there," he said.

"We have worked with Union Carbide in the past, and will work in partnership with them now. We find that'a a very good way to get good returns with low *risk.*" *UCAR might be floated* publicly within the next year or two, he added.

EU chiefs clash over rules on state aid for airlines

By Lionel Barber in Strasbourg

A fragile consensus inside the European Commission snapped yesterday as two senior commissioners disagreed in public over new guidelines on state aid to Europe's troubled airlines.

The rift emerged after Mr Marcelino Oreja, outgoing Spanish transport commissioner, suggested that state bail-outs could be justified in exceptional circumstances such as currency devaluations or war.

Mr Karel Van Miert, Belgian commissioner responsible for competition policy, rejected Mr Oreja's statement on currency devaluations as incompatible with new guidelines on state aid, which had been agreed only hours earlier by the full 17-member Commission.

The clash raises questions about the credibility of the guidelines, which are intended to serve as justification for the recent approval of FFr20bn ($3.9bn) in state aid to Air France and as a reference for future aid cases.

A Commission official said consideration of currency devaluations in state aid cases would be highly controversial. It would favour airlines from countries with weaker currencies such as Olympic of Greece.

The debate about the tightness with which rules on state aid should be drawn has intensified in Europe after British Airways and other European airlines in the private sector mounted a legal challenge to the Commission's decision last summer to approve aid to Air France.

Yesterday's clash represented a dress rehearsal for the battle in Brussels over whether to approve new state aid for Iberia, the cash-strapped Spanish *national carrier.*

Spanish officials are privately furious that Mr Van Miert preemptively ruled out new state aid for Iberia last week – ahead of any such request. This week, Mr Van Miert succeeded in strengthening the eight new Commission guidelines on state aid. In future, airlines may expect Commission approval

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NEWS: EUROPE

Call for new relationship as US-Europe interests diverge

Study warns on transatlantic ties

By Lionel Barber in Strasbourg and Bruce Clark, Diplomatic Correspondent, in London

The US and European Union need to upgrade their post-cold war relationship through a new political and economic treaty, according to a study by European political and business leaders.

The report's release coincides with an angry transatlantic row over the US withdrawal from the arms embargo against Bosnia, and with some public soul-searching by European politicians over how to limit the damage.

Mr Malcolm Rifkind, Britain's defence secretary, called this week for the establishment of an "Atlantic community" which would shore up US-European solidarity on the basis of a shared commitment to democracy, capitalism and European culture.

While giving few details, Mr Rifkind called for more transatlantic exchanges between civil servants, parliamentarians, students and industrialists.

He said Europe and North America had a common interest in facing down the challenges of Islamic extremism in North Africa, economic competition in the Far East, nationalism in some parts of eastern Europe and international crime.

However, this week's study says thet Europeans are underestimating the degree to which US and European foreign policy interests diverge in the absence of a Soviet threat.

The report sees a risk of cleavage as Americans tilt away from Europe to the fast-growing economies in Latin America and the Pacific, and as both allies become preoccupied with internal renewal and economic competition.

Though not in any immediate peril, "the transatlantic relationship founded primarily on the [Nato] alliance is adrift," concludes the study by Transatlantic Policy Network, a non-profit group which brings together business and political leaders on both sides of the Atlantic.

The report recommends three steps to strengthen linkages between the US and Europe.

- The transformation of the present Transatlantic Declaration into an economic and political treaty between the EU and US aimed at creating a "North Atlantic Free Trade Area" which would cover regulatory co-operatioo, mutual recognition of product approvals, standardisation and certification, and treatment of foreign investment.
- Reforming Nato around a partnership between the US and a European defence pillar. Though the anthors suggest further integrating defence and military procurement in Europe, they found "no firm foundation" for s coherent European approach on security matters.
- A new process for transatlantic summits which would bring together the annual Nato summit and the biennial US-EU meetings. The aim is to exploit the Clinton administration's shift toward strengthening the European defence pillar within Nato and its support for greater European political integration built around the Union.

With one eye on the 1996 inter-governmental conference to review the Maastricht treaty, the report says there is a "window of opportunity" for real power-sharing between the US and EU. The onus is on member states, including Britain, to take further steps to integrate political, economic and security policies within the EU in 1996.

Toward Transatlantic Partnership - a European Strategy: TPN, Rue Froissart, 1040 Brussels.

Rifkind: urged establishment of an "Atlantic community"

Much improved cash position cuts borrowing requirement

Germany's funding need falls sharply

By Andrew Fisher in Frankfurt

A sharp improvement in the German government's cash position has helped cut the new borrowing requirement of the public sector by about two-thirds this year, the Bundesbank said yesterday in its monthly report.

The turnaround in Germany's fiscal position is in line with statements by Mr Theo Waigel, the finance minister, that the high federal budget deficit, which soared as a result of high reunification costs, was now coming down significantly.

In the first 10 months, the public ssctor borrowsd DM32bn ($21bn) against DM101bn in the same period of 1993, as the government's credit needs were reduced by its more favourable cash position.

The government's cash deficit totalled DM22.7bn in the January-October period, down from DM48.5bn. One reason behind the reduction was that the Federal Labour Office, which ran a big deficit last year because of rising unemployment, no longer needed help. Net new government borrowings were down to DM17bn from DM66.5bn in the 10 months.

Pressure on tha re-elected government of Chancellor Helmut Kehl to continns the tougher line on spending has come from industry and the Bundesbank.

This week, Mr Kohl said the government would cut bureaucracy, reduce the share of public sector spending in the economy and strive to privatise more assets. Concern over high levels of state spending has been a main concern of the Bundesbank in trying to hold down money supply expansion. It has long argued that the high cost of financing east Germany's reconstruction should be matched by spending curbs in the west. Although the earlier steep rise in M3 has slowed the Bundesbank is determined to reduce it further.

Mr Alexandre Lamfalussy, president of the European Monetary Institute, said on Tuesday night the Bundesbank's experience with M3 would infinencs the EMI's deliberations on whether the planned European central bank should have monetary or inflation targets.

"Germany used M3 as a target with quite a lot of efficiency," he said. The impact of financial innovation – now entering German financial markets "at a high speed" – on German monetary trends also had to be studied.

Mr Günter Rexrodt, Germany's economics minister, will retain his post in the new cabinet to be announced today, according to officials from his Free Democrat party, writes Judy Dempsey in Bonn.

The FDP is a junior partner in Chancellor Helmut Kohl's governing coalition. Mr Klaus Kinkel, FDP leader, will remain foreign minister, and Ms Sabine Leutheusser-Schnarrenberger, also from the FDP, is expected to keep the justice portfolio.

Mr Rexrodt, a supporter of greater liberalisation and privatisation, has suffered a string of recent failures in attempting to push through structural changes. These include his inability to reach consensus between industry and local councils to deregulate the energy sector, his failure to scrap a law preventing department stores from reducing prices, and his unsuccessful attempts at relaxing shopping hours.

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Chill in the air of US-Russia relations

Superpower diplomacy has taken a turn for the worse, writes John Lloyd

"It is not a hot war nor a return of the cold war," says Mr Georgy Arbatov, the grand old man of US-Sovist diplomacy and still head of the US-Canada Institute of the Russian Academy of Sciences. "But I do see a worsening of relations between the US and Russia."

Mr Arbatov was speaking yesterday two days after President Boris Yeltsin sounded an ominous note when he said he feared the US Republican congressional victory would "embitter" relations between the two states, and then went on to call for stronger armed forces to cope with a rising threat of conflict.

It was not an isolated remark. "There is s growing anti-American, anti-western mood among our politicians," says Mr Arbatov. "The circumstances of the last election (in December 1993) with the failure of economic reform pushed upon us by the IMF and others and the growth of crime, mean that we have a very powerful nationalist wing."

This has influenced all political rhetoric for over a year – and it is gaining strength. Mr Andrel Kozyrev, ths once fiercely pro-American foreign minister, now attacks the US for failing to respond to his initiative to persuade Iraq to recognise Kuwait's independence by lifting sanctions, and for halting the enforcement of the arms embargo against the Bosnian Moslems.

The spreading of Nato into eastern Europe through the Partnership for Peace has not been accepted, even though Russia itself joined the system. Mr Sergei Karaganov, s prominent foreign policy adviser, said yesterday that to "prevent or at least postpone the taking of the decision to increase the size of Nato" is the main task facing Russian diplomacy at next month's Budapest Conference on Security and Co-operation in Europe. This is the body which Russia wants to promote in Nato's place.

The west and its institutions are no longer objects of official hate, but they do excite general suspicion: there is little or nothing left of an earlier feeling of gratitude towards the US and the west in general for wslcoming and assisting the democratisation and reform process.

Mr Arbatov dismisses as "small change in today's conditions" the $3bn in US aid to Russia - and though he admits that President Bill Clinton's early meeting with Mr Yeltsin in Vancouver in March 1993 was an important gesture, he believes the US president is now weak and hobbled, and unable to reach out to Russia even if he wishes to.

Mr Andrei Kortunov, one of the leading younger policy analysts at Mr Arbatov's institute, agrees that the significance of the US elections is not so much that the repnblicans won but that right-wing, isolationist and strongly anti-Soviet republicans won, like Mr Jesse Helms, thought certain to be chairman of the Senate foreign relations committee. "And one must say, if these people are looking for faults in the way in which aid has been administered to Russia they will find rich material."

Mr Kortunov says the understanding extended to Russia by the Clinton administration – heavily criticised by today's resurgent Republicans for putting "Russia first" – will now end. That probably means, for example, that Russia's constant complaint that it cannot observe the terms of the Conventional Forces in Europe treaty it signed with some 30 countries, because it needs to strengthen the armour of its sonthern forces, will be unheeded and its breach of the treaty will become e major issue.

Besides, he says, the Republicans will have 1996 in their mind – the year of the next US presidential elections, and also the year when Mr Yeltsin must step down, or run again. They will thus, he argues, have much less interest in supporting Mr Yeltsin. "They will instead be looking for a relationship with the next Russian president, in the ranks of the opposition."

"The problem here," says Mr Graham Allison, former US assistant secretary of state for defence and now a consultant to the Defence Department, "is that where you have a partisan battle going on between the Republicans and the president you tend to get attention focused on second and third order issues between the US and Russia where there will be conflict and people forget about the first order issues where there are common interests."

But neither Mr Arbatov nor Mr Allison – with some experience of each other's defence establishments – believe tha chilling need be serious. Mr Arbatov says that in the Middle East, a historic battleground for states who were in part superpowsr proxies, the interests of Russia and the US are firmly for peace – "in our case", ssys Mr Arbatov, "because ws want our debts which these countries have with us to be repaid".

"There is a normalisation of the relationship going on," says Mr Allison, "and that will continue. There is no need to deny we have different interests. There is no need to have constant big symbolic events. Our real state interests dictate co-operation. People in both countries are beyond thinking of each other as the enemy."

NEWS: EUROPE

EUROPEAN NEWS DIGEST

EU set to agree telecoms pact

Following last minute lobbying by the German government, European telecommunications ministers are today hoping to reach agreement to allow competing telephone networks across the continent by the beginning of 1998. A spokesman for Mr Wolfgang Bötsch, the German post minister who will chair the Brussels meeting, said he was "very optimistic" agreement could be reached after Spain and Portugal dropped their reservations.

The ministers agreed last year to liberalise basic voice telephony services in 1998, but it has been more difficult to reach agreement on the networks. The Commission, hoping to speed up the deregulation of infrastructures, takes the view that so-called alternative networks – energy and rail networks for example – should be liberalised as early as next year; but certain member states are wary of such a timetable.

Germany has warned that it will press ahead with its own liberalisation unless 1998 is agreed as a suitable date on which to liberalise both the alternative, and the traditional monopoly networks. Even if agreement is reached today Mr Bötsch may well permit alternative networks to be liberalised in Germany before 1998, a move which will put pressure on other European countries to follow suit. *Michael Lindemann, Bonn, and Emma Tucker, Brussels.*

Benzene health doubts grow

The European Commission is set to crack down on levels of benzene in petrol because of growing health concerns. Mr Prudencio Perera, a senior official of DG11, the environment directorate general, said the Commission had been disturbed by the findings of a recent survey in Brussels which detected particularly high levels of benzene near some petrol stations.

He told a Financial Times conference in Amsterdam that although benzene emissions were not currently regulated, there was "mounting evidence concerning its carcinogenic potential" and that be would be "surprised" if Commission proposals due next year on new fuel standards for the European Union currently under study would allow companies to maintain the current 5 per cent content level for benzene. The Commission was likely to follow guidelines now being prepared by the World Health Organisation. Last month a study by a parliamentary committee in the UK was critical of benzene in super unleaded petrol. *Robert Corzine, Amsterdam*

EU jobs agency launched

The European Commission is today launching a European Union-wide computerised employment agency, designed to assist companies and workers in the creation of an integrated labour market. Known as Eures, the programme will give job-seekers specific vacancy details from each member state backed up by information on living and working conditions and problems such as accommodation, contract law and different levels of taxation and social security.

The programme, which workers can use in 1995 to search for jobs, has an annual Ecu7.5m ($9.4m) budget. It is starting modestly with a data bank of around 600 job vacancies from employers seeking recruits beyond their national borders but the organisers hope a growing number of companies will use Eures in their cross-border recruitment plans. *Robert Taylor, Employment Editor*

Bosnian appeal over Bihac

Bosnian President Alija Izetbegovic appealed yesterday for international help to halt the advance by Bosnian Serb troops on the enclave of Bihac. Nato ambassadors considered declaring the enclave a total exclusion zone but took no final decision. However, Nato aircraft swooped low over the area after the Serbs fired a converted surface-to-air missile which landed near UN peacekeepers. Bosnian Serb forces have been closing in on the Bihac pocket since halting a two-week long Moslem offensive. Troops loyal to Mr Fikret Abdic, the maverick Moslem leader who opposes the Sarajevo government, were reported yesterday to be crossing into Bihac, a UN spokesman said. *Laura Silber, Belgrade*

Norway warned on EU entry

The head of Norway's leading bank warned yesterday that staying outside the European Union could damage the country's oil and gas industry, the biggest in western Europe. The anti-EU campaign maintains that membership would threaten Oslo's control over its North Sea oil and gas production, which accounts for 16 per cent of gross national product. But Mr Finn Hvistendahl, president of Den Norske Bank, said Norway's oil production was declining and that gas, which relies on European markets, would take over as the main earner from the North Sea. It was vital, therefore, that the EU's long-term energy policy, currently being formulated, put a heavy emphasis on the use of natural gas.

"If Norway remains outside the EU, it will reduce our possibility to influence the increase of gas consumption. There is no guarantee that the EU will increase its dependence on energy from countries outside the EU while it can develop nuclear power and maintain coal production," Mr Hvistendahl said. *Karen Fossli and Hugh Carnegy, Oslo.*

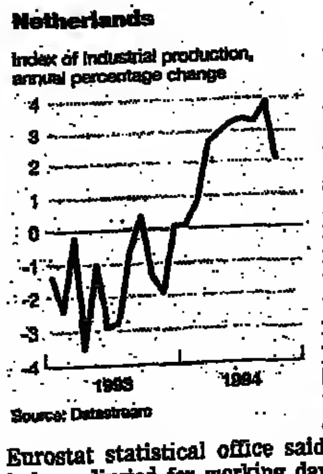
Bonn citizenship law attacked

Germany's opposition Social Democrats and groups representing the country's 6.8m foreigners have described the recent compromise agreement by Chancellor Helmut Kohl's coalition government to reform the citizenship law as "hypocritical" and "absurd". The agreement envisages granting dual nationality to the third generation of children and only until the age of 18, after which time they would have to choose a single nationality.

In a survey published by DPA, the German press agency, representatives from Hesse state, which is governed by the SPD and the Greens/Bündnis 90, said they would try to push the Bundesrat, or upper house, into making access to citizenship easier. The SPD nominally controls 41 of the 68 seats in the Bundesrat, enough to block legislation from the Bundestag, or lower house. The criticism by the SPD and the federal agencies responsible for the interests of foreigners signals the first implicit attack on the Free Democrats, the junior partner in the coalition. *Judy Dempsey, Bonn*

ECONOMIC WATCH

Dutch industrial production



Source: Datastream

Industrial production in the Netherlands rose a seasonally adjusted 2.1 per cent in September from a year earlier, according to official figures. Uncorrected output rose 1.8 per cent. However, the seasonally adjusted data indicate a slight month-on-month decline of 0.3 per cent to an index of 119.2 in September from 119.6 in the previous month, due largely to relatively low production in the food, tobacco, alcohol and petroleum sectors.

■ EU industrial production was up in August for the seventh consecutive month, the Eurostat statistical office said yesterday. The production index, adjusted for working days, was up 6.5 per cent compared to the same month a year earlier.

■ Prices of consumer goods and service in Poland rose by 2.9 per cent in October against the previous month, bringing inflation in the first 10 months to 32.4 per cent. The government has been predicting a 32 per cent rise over the year, compared with 35 per cent in 1993.

Commissioner Flynn: 'No indication of UK programme'

UK risks losing millions in EU aid

By David Gardner in Brussels

Britain risks losing European Union aid worth up to Ecu674m (£525m), intended to retrain workers in frontline industries, because it is refusing to apply for it, the European Commission confirmed yesterday.

Senior Commission officials warned that the UK would not be allowed to "opt out" of this policy, which is intended to lift EU competitiveness, and to which Britain's partners are committed.

The UK government's refusal to draw down its full EU aid entitlements comes as it faces a potentially damaging revolt by right-wing Conservative MPs because of planned increases in UK and other member states' contributions to the Union's budget.

The aid Britain risks foregoing comes under the so-called Objective 4 of the European Social Fund. This policy, agreed by all member states in mid-1993, is designed to boost the skills of workers in industries being restructured.

Previously, Social Fund money was aimed exclusively at young and long-term unemployed, while Objective 4 targets workers in threatened industries in order to prevent them from becoming unemployed. The UK regards this switch in funding as part of a French-inspired Commission effort to build up an industrial policy by subterfuge, and wants to be allowed to spend all Social Fund money on the jobless.

The Commission yesterday agreed on a share-out of Objective 4 funds for the UK's partners, but confirmed that it was "bolding in reserve" finance for which Britain had submitted no programme.

Britain is entitled to a total of Ecu3.37bn under the Social Fund in 1994-99. Under tbe Commission formula, about 80 per cent of this would go to training the unemployed, and 20 per cent to Objective 4 – in the UK's case, therefore, some Ecu674m.

The UK has asked for 95 per cent of its full Social Fund entitlement in 1994-96 – tbe first half of the scheme – but purely for funding training for the jobless and ignoring Objective 4. Brussels has allowed this through, while withholding the 5 per cent remnant worth Ecu80m.

But it is insisting that the UK redress the balance towards the Objective 4 programme in the second half of the scheme, in 1997-99. Brussels officials say they are prepared to be flexible, allowing Britain to spend perhaps no more than 10 per cent of its Social Fund grant on retraining employed workers.

But Mr Padraig Flynn, EU social affairs commissioner, made clear yesterday that "all member states should implement Objective 4".

"Flexibility in dividing up the spending does not extend to opting out," he warned.

Mr Flynn would not spell out publicly the consequences for Britain if it continued to boycott tbe retraining policy, beyond stressing that "we have *no indication we are going* to get a programme from the UK" to take np its Objective 4 entitlements.

Britain has traditionally got the largest single share of the EU Social Fund. In 1989-93 lt received Ecu2bn out of the Ecu7.4bn total; its full entitlement of nearly Ecu3.4bn in 1994-99 stands against a total of Ecu14bn parcelled out to all member states.

The Commission retains a portion of the Fund for programmes it runs itself. These inclnde the Adapt scheme for upgrading industrial akills across the Union, from which the UK should get Ecu250m in 1994-99. Commission officials see virtually no difference between Objective 4 and the Adapt programme. "It's puzzling that [Britisb] ideological differences don't appear to extend that far," one Brussels *official remarked* yesterday.

Commission leader plays Hamlet

'To run or not to run' for the French presidency in next spring's election? That is the question for Jacques Delors, writes **David Buchan in Paris**

Jacques "Hamlet" Delors has six weeks to decide *whetber to run or not* to run in the French presidential election next spring.

This week, tbe European Commission president said that, if his decision was negative, he would tell the Socialist party "before Christmas" to give it time to cast around for another candidate. He may not heve intended so precise an answer but, baving given it, be knows that silence beyond December 25 will be taken as affirming his interest in the Elysée, thereby increasing the pressure on him to run.

Punters would be ill-advised to bet on the result of what Mr Delors calls his "very difficult" decision. Insiders are divided. One close and longtime collaborator predicted that, despite Mr Delors' steady rise in the polls and stream of Socialist endorsements, he will not run because "he has no taste for the monarchy" that is the Fifth Republic's presidency.

*Yet Mr Pierre Mauroy, for*mer prime minister, said this week the groundswell for a Delors candidacy was beginning to pusb the decision out of the man's control; Mr Mauroy *is running for re-election* as mayor of Lille with Mr Delors' daughter, Martine, as his deputy.

Most personal factors point tbe 69-year-old Mr Delors towards taking a break after a decade of running the EU executive. These include a back problem and a desire to follow up his latest book *One Man's Unity* with further tomes.

But set against tbis is mounting Socialist pressure. Mr Michel Rocard, who would heve been the presidential candidate had be not led the party so badly in the European parliament elections last June, said this week that the candidacy of someone "for 10 years out of Frencb public life, and therefore less battered by it" was "an historic chance".

Talk of "history" appeals to Mr Delors, who has made a bit of lt himself in Brussels, and be in turn is proving appealing to the public. In an Ifop poll to be publisbed by L'Express magazine, he again leads Mr Edouard Balladur, tbe prime minister, and a field of eight other possible candidates in a hypothetical first round.

But *is Mr Delors popular* enough? Virtually every poll, today's Ifop survey inclnded, shows that in a two-man run-off he would beat Mr Jacques Chirac, the mayor of Paris, but would be beaten by Mr Balladur. The latter, however, might give further ground, particularly if he continues to lose any more ministers to the sort of political funding scandals with which Mr Delors – by virtue of being abroad – can hardly be associated.

More of a conundrum for Mr Delors is, if he were elected, how and with whom would he govern? As be told Frencb radio this week in English in his best Maurice Chavalier accent, "Zat is ze qvestion".

Faced with relatively small conservative majorities in parliament, President François Mitterrand was able to use the momentum of his 1981 election and 1988 re-election to dissolve parliament and win left-wing *majorities there. But* a President Delors would be confronted with the enormous majority the RPR-UDF centre-right coalition won in 1993 when it gained 80 per cent of *the parliament's 577 seats.*

"Delors would have to dissolve parliament, because the result of new elections could not possibly be worse than the present one for him," says Mr Olivier Duhamel. This Sorbonne political scientist believes the most likely outcome would be the Socialists and their MRG radical allies forming a working majority with support from CDS centrists. The latter are at present within the UDF federation and the Balladur government.

Mr Delors denies his new book amounts to a presidential programme. But virtually everything in it – belief in European integration, a strong currency, a wish for workers to restrain pay demands in the interest of competitiveness and of society as a whole – could not be better tailored to appeal to France's centrists and christian *democrats.*

A Delors victory could even produce, in Mr Duhamel's opinion, a "grand coalition" of left and right, with other pro-European elements of tha *shaky UDF federation follow*ing the centrists into coalition with the Socialists. It is hard to imagine a large number of RPR Gaullists going that way. But Mr Jacques Chaban-Delmas, veteran Gaullist in wbose prime ministerial cabinet Mr Delors once served, has said he hopes Mr Delors will run.

So far, however, there is nothing remotely resembling a "military organisation" ready to roll into electoral action for Mr Delors, says Mr François Hollande, a former Socialist deputy who runs tha "Témoins" discussion club established by the Commission president two years ago. This club of 2,000 members, plus two smaller political clubs he set up earlier, together with some 15 local Delors-for-president committees around the country, form a tiny network, outside the party.

But unless the polls are completely wrong, there is a much *larger number of French peo*ple ready to roll up their sleeves for Mr Delors – if he gives them the word.

Balladur wants shorter presidential terms

By David Buchan

Prime Minister Edouard Balladur, who is expected to stand in presidential elections next year, yesterday suggested shorter terms for French presidents. He also proposed greater use of referendums in a programme to make France "more democratic".

In a long article in yesterday's Le Monde – the nearest be has come to producing a manifesto in his undeclared candidacy for the Elysée – *Mr Balladur suggested* suspending corporate contributions to political parties and politicians for a three-year trial period.

However, speaking later before the National Assembly, he ruled ont suggestions, even within his own government, of a government reshuffle to forestall furthar resignations. In the *past four months,* three ministers heve been forced to resign just before magistrates placed them under formal investigation in political funding scandals. "In the present climate, any minister leaving the government would be suspected of doing so for reasons connected with...the law," be said. "I do not have the right to inflict such a moral penalty."

In his article, Mr Balladur disclaimed the idea that he was suggesting constitutional and political reform *purely because France was entering its* presidential election year. Such issues should be discussed more than just every seven years, he said. One reason for shortening the seven year presidential term was to "allow the people to arbitrate more frequently on the great national questions".

The ill bealth of 78-year-old President François Mitterrand, in the last year of his second seven years, has underscored a widespread desire for reform. But Mr Balladur reflected the *division of opinion among politicians* in saying that be was open to either reducing the term to five years or limiting presidents to a single term.

EUROPEAN BUSINESS LEADERS APPREHENSIVE OF GROWING ECONOMIC POWER OF ASIAN NATIONS

Europe's long term outlook gloomy but...

By David Marsh, European Editor

Nearly half the respondents in a survey of European business leaders published today think China and south-east Asia are likely to outstrip North America and Europe in economic power by early next century.

Europe's leading industrialists are increasingly confident about the short-term business outlook, but around one-third say they will continue to cut back their workforces.

They show considerable pessimism about the continent's long-term ability to stand up to international competition, particularly from Asia.

The survey was carried out among 1,500 companies in Germany, France, the UK, Italy, the Netherlands, Spain and Belgium by Harris Research for US-based United Parcel Service.

Executives overwhelmingly favour more flexible labour laws to improve Europe's poor job prospects. Support for more flexibility in employment legislation is particularly strong in Germany, which has one of Europe's most regulated labour markets.

Seventy per cent of companies say Europe is not investing enough in research, while 56 per cent say investment in training is inadequate.

Some 28 per cent of European companies believe western Europe offers the worst potential for manufacturing investment among the world's main economic regions during the next 15 years, while 75 per cent say south-east Asia and China will be the best area for investment.

China topped the list by a wide margin of eastern and south-east Asian countries favoured as investment locations, with 64 per cent of respondents naming it as the country with the greatest potential for investment. The next most favoured country, South Korea, was cited by only 7 per cent of companies, while only 1 per cent named Japan as the country with the greatest potential.

Some 45 per cent of respondents think south-east Asia and China will be the world's most economically powerful region in 10 to 15 years.

While 41 per cent of companies believe North America will have the strongest economy by 2010, only 11 per cent believe western Europe will.

Business leaders are lukewarm about the European Union's capacity to help them improve competitive performance. A total of 45 per cent say the EU makes no difference to their ability to compete, with 42 per cent saying the EU is helpful and 12 per cent it is a hindrance.

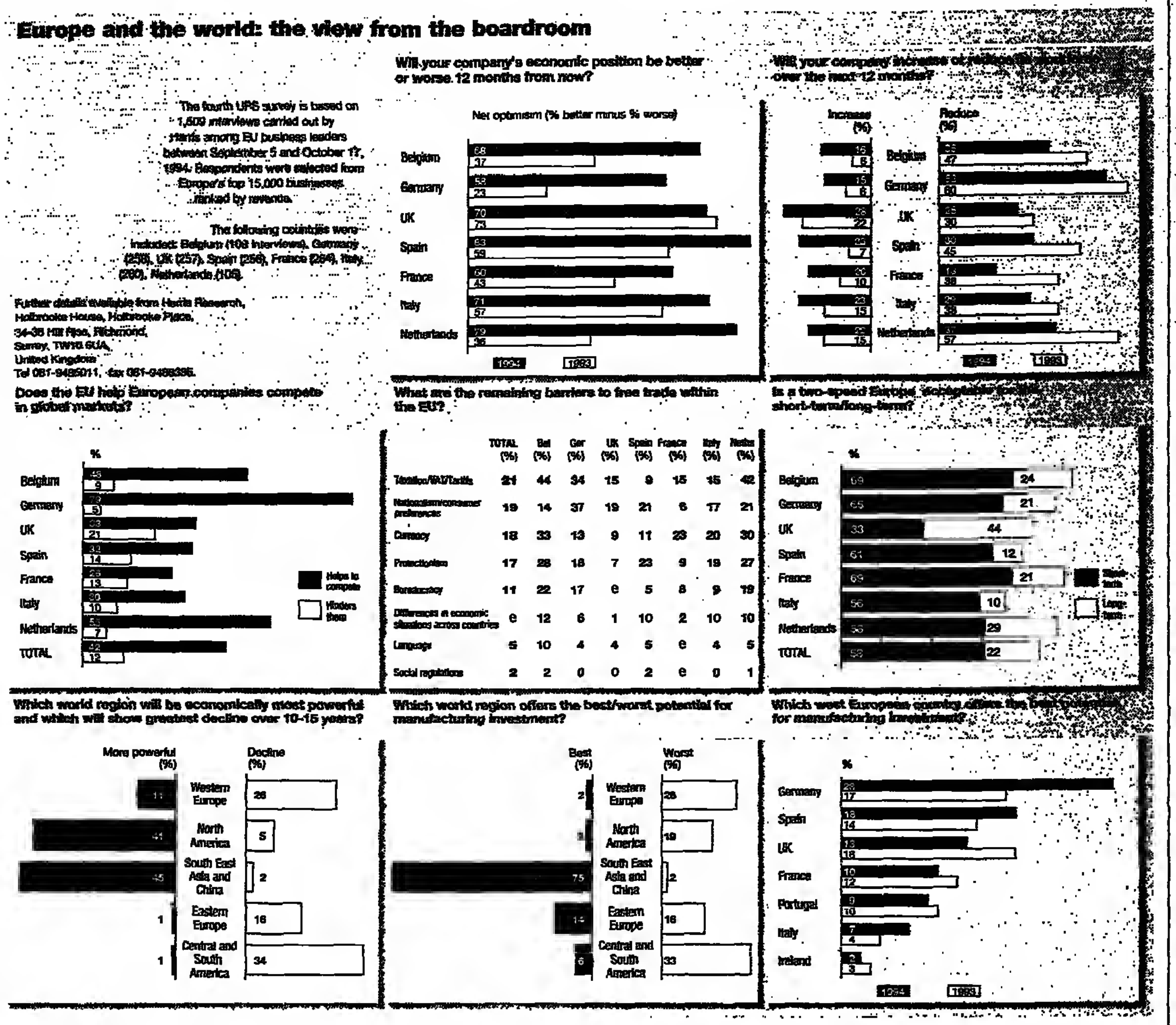
German companies have the most positive view on the EU's support for competitiveness, with British, Italian and French businesses the most negative.

Asked sbout recipes for improving Europe's poor jobs outlook, 69 per cent of companies argue for more lsbour market flexibility. Support is highest in Germany (91 per cent), the UK (77 per cent), Netherlands (69 per cent) and Spain (68 per cent).

Only 12 per cent of companies want government intervention to create jobs, but 17 per cent back the levying of duties on countries with low labour and environmental standards – a view supported by 45 per cent of French companies.

The survey offers widespread support for the idea of varying degrees of integration among EU states. Some 58 per cent see s "two-speed Europe" ae acceptable in the short term, with 22 per cent favouring this in the long term too. Only 19 per cent – above all, respondents in Spain and Italy – rule out the idea.

Establishing a common European currency is seen as the main priority for the European Commission by only 11 per cent of business leaders. Asked what they think should be the main objective of Mr Jacques Santer, the Commission's president-designate, 17 per cent favour bringing down unemployment, while 10 per cent say they support closer European political ties.



...short term business confidence bubbles

By David Marsh

Business confidence in the European Union has gained ground substantially, led by optimism in Spain, the Netherlands, Italy and the UK, according to the UPS survey.

However, only one-fifth of companies plan to increase their workforces during the next 12 months, underlining how employment prospects across Europe remain bleak.

A total of 72 per cent of companies believe their economic position will be better in 12 months, with only 2 per cent saying it will be worse – the highest optimism rating since the survey was started two years ago.

The net balance of companies reporting optimism rather than pessimism about prospects has widened to 70 per cent from 48 per cent in the autumn 1993 UPS survey, and only 19 per cent in 1992.

In Spain, 84 per cent of respondents believe their economic position will improve, compared with 80 per cent in the Netherlands, 74 per cent in the UK, 73 per cent in Italy and 72 per cent in Belgium.

However, 32 per cent of companies plan to reduce staff during the next 12 months, with only 21 per cent planning employment increases and 46 per cent saying their workforces will remain the same. Propensity to reduce staff is particularly large in Germany, the Netherlands and Belgium, where respectively 53 per cent, 37 per cent and 35 per cent forecast falling employment.

In spite of relatively poor German job prospects, the survey shows a marked increase in confidence in Germany's position as a manufacturing base. Some 28 per cent of respondents say Germany offers the best potential for manufacturing in western Europe, with Spain favoured by 18 per cent of companies and Britain by 13 per cent.

Among eastern European countries, the Czech republic is seen by 32 per cent of companies as offering the best potential for manufacturing investment, followed by Poland (22 per cent) and Hungary (20 per cent).

EU may change banks' property loan rules

By Simon London, Property Correspondent

The European Union is considering changing the rules which govern the amount of capital banks have to set aside against commercial property loans. There are loans of Ecu580bn (£456bn) in the EU.

Under the terms of a deal agreed by EU governments in 1989, banks in Germany, Denmark and Greece provide only half the amount of capital against commercial mortgages as their counterparts in other member states.

The regulations must be harmonised by 1 January 1996.

Banks in the three countries could be asked to set aside an estimated Ecu4.7bn additional capital to bring them into line. Alternatively, the rules which apply in these countries could be introduced across the EU.

Any change could have a marked impact on the structure of corporate lending in Europe and on the behaviour of property markets.

The European Commission has asked a group including Britain's Royal Institution of Chartered Surveyors, City University Business School, West-Deutsche Landesbank and Compagnie Bancaire to consider whether the rules distort the market and whether they should be removed or applied generally, which would have tha effect of increasing banks' capacity to lend against property.

Mr Peter Champness, who will chair the research panel on behalf of the Royal Institution, said: "German banks would be particularly affected by a requirement for higher ratios and their exposure to property-related lending is significant throughout Europe."

The European Mortgage Federation, which represents mortgage banks, said that institutions in Germany, Denmark and Greece would have to reduce lending activity and increase interest rates by about 0.25 per cent if they are forced to set aside additional capital.

It is calling for the lower capital requirement which applies in these countries to be extended to all member states.

The Federation argues that mortgages are less risky than other forms of commercial lending if professional property valuations are carried out and regulations governing loan-to-value ratios are in force.

For example, commercial mortgages only qualify for the lower capital requirement in Germany if the sum borrowed does not exceed 60 per cent of the value of the property.

Some national bank regulators are likely to oppose such a change on the grounds that it would take the EU out of step with international banking regulations.

The Basle Accord on capital adequacy, which sets capital requirements for international banks, treats mortgages in the same way as other commercial loans. The Federation said that the Basle regulations were designed to cover large international banks while European legislation deals with national institutions which are not exposed to the same risks.

Conde's fall felt in Wall Street and the palace

By Tom Burns in Madrid

As the legal noose tightens on Mr Mario Conde, the repercussions will be felt from Wall Street, home of J.P. Morgan, the prestigious US investment bank that became the Spanish banker's firm ally last year, to the Zarzuela Palace, home of King Juan Carlos where Mr Conde was a welcome visitor.

On Tuesday, a Madrid high court prosecutor accused the former chairman of Banco Español de Crédito, Banesto, of criminal fraud, together with nine close associates who were senior Banesto executives.

Mr Conde, who was dismissed as Banesto chairman by the Bank of Spain, the central bank, at the end of last year, was yesterday under virtual house arrest at his Madrid town mansion. High court judge Mr Manuel García Castellón who is likely to begin questioning Mr Conde next week before deciding whether to charge him, has ordered police to monitor the banker's movements. He may not leave the country.

Full details of the criminal fraud accusation have not been released but the allegations made by the prosecutor centre on a web of intermediary companies, controlled by Mr Conde and the associates accused with him, that bought and sold assets within the banking group.

If the flamboyant, 45-year-old financier was unreliable, as is alleged by prosecutor Mr Florentino Ortí and believed by members of a parliamentary commission that has investigated Banesto, should J.P. Morgan have helped Banesto raise more than $700m from the international markets last year?

If Mr Conde defrauded Banesto's shareholders during his six-year stint as chairman of the bank, as alleged, just how gullible were the business, political and media figures who danced to his tune for so long?

Mr Conde was dismissed as Banesto chairman by the Bank of Spain after an official inspection discovered that the bank had overvalued its assets by Pta503bn. The Bank of Spain, which also removed Mr Conde's fellow board members, said the "support of the entire banking system" was required to refloat Banesto.

In April Banesto was acquired by Banco Santander after some Pta780bn in public and private moneys had been spent on saving it.

Less than four months before Mr Conde's dismissal, J.P. Morgan had managed a two-part equity-raising exercise that brought $775m of fresh capital into Banesto. Among the new Banesto shareholders was the Corsair fund, a US portfolio run by J.P. Morgan which invested $175m in Mr Conde's bank.

The summer of 1993 saw Mr Conde at the pinnacle of his professional and social career. He entertained the Spanish royals aboard his yacht.

A few weeks earlier the irrepressible Mr Conde had received an honorary doctorate from Madrid University and had delivered a lecture on the responsibilities of civil society to an audience that included fellow bank chairmen, media moguls, members of the government, ambassadors and King Juan Carlos himself.

It all ended suddenly when the Bank of Spain moved against Mr Conde. What has happened between Mr Conde's dramatic removal from Banesto and the formal accusation delivered to the Madrid high court is that a tale of bad banking has become one of fraudulent financing.

Last December the Bank of Spain said it had acted against Mr Conde because of "gross negligence" in the running of Banesto. In June the Bank of Spain reported that Banesto's problems appeared to have been based on issues that went well beyond mismanagement.

Two weeks after he was ousted from Banesto Mr Conde rejected the Bank of Spain's evaluation of Banesto's loan portfolio and claimed that he was on course fully to restore the bank's balance sheet under a rescue plan agreed with J.P. Morgan. In September Mr Conde published a book that restated these claims and added new ones: his downfall had been plotted by those in the establishment who feared his political ambitions.

However over the past months the public prosecutor, with the aid of two Bank of Spain inspectors and of the new team running Banesto, has built up a case which alleges that Mr Conde and his associates enriched themselves at the expense of Banesto's shareholders. Members of the separate parliamentary inquiry into Banesto's collapse, and who are due to issue their report soon, say they have reached the same conclusion.

Banesto's present chairman Mr Alfredo Sáenz told the parliamentary commission last month: "In Banesto there have been cases in which money has not been lost; it has disappeared and somebody has it."


Conde: says downfall plotted

Unravelling Mr Conde's business dealings in Banesto will occupy judge García Castellón for months. The judicial proceedings will backtrack on a trail that started in 1987 when Mr Conde and a partner sold their bulk chemicals company and used the the proceeds of the Pta65bn disposal to buy into Banesto, making Mr Conde chairman.

Inflation in US slows to annual rate of 2.6%

Fall is likely to anger Fed's critics

By George Graham in Washington

US inflation slowed again last month, the Labour Department reported yesterday, giving fresh ammunition to critics of the Federal Reserve's decision on Tuesday to raise interest rates by ¾ of a percentage point in order to head off inflationary pressures.

The consumer price index rose by 0.1 per cent in October, the department reported, the smallest monthly increase since April. Over the last 12 months the index has risen by just 2.6 per cent, much slower than September's year-on-year inflation rate of 3.0 per cent.

Excluding volatile food and energy prices, the inflation index rose by 0.2 per cent in October for a year-on-year increase of 2.9 per cent.

Food and drink prices remained unchanged in October and have increased by 2.2 per cent over the last 12 months. Energy prices fell 0.9 per cent in October and have gained just 0.4 per cent over the last year.

Apparel, upkeep and transportation prices fell in October, while medical care, entertainment and other goods and services increased in price.

Although yesterday's figures showed that inflation remains restrained, the Labour Department announced yesterday that it planned to make significant changes to the way it calculates the index, which many economists, including the Federal Reserve, believe overstates the real rate of inflation.

The changes will address the way prices are calculated for food eaten at home, rents and patented drugs.

But critics of the index say that because the Labour Department still uses fixed weights for the basket of goods and services included in the index it will still exaggerate the rate of inflation.

A recent study by economists at the Federal Reserve Bank of Dallas estimated that several different biases cause the CPI to overstate inflation by just under 1 per cent a year.

A downwards revision in the inflation index could help the federal government keep its budget deficit under better control, because the index is used to calculate cost of living adjustments for government wages and retirement pay as well as social benefits such as social security pensions.

In a separate announcement, the Commerce Department said business inventories rose in September for the sixth successive month, increasing by 0.5 per cent to a seasonally adjusted total of $907.2bn (£553.1bn)

Inventories have risen sharply in recent months, but they remain at historically low levels, and the ratio of inventories to sales climbed only 0.01 from the historic low it reached in August to 1.4 in September,

Cubans court UN rights watchdog

By Pascal Fletcher in Havana

The United Nations' top human rights watchdog began a visit to Cuba yesterday by meeting political dissidents ahead of formal talks with the Cuban government.

Mr José Ayala Lasso, the Ecuadorean diplomat newly appointed UN high commissioner for human rights, was in Havana at the invitation of the Cuban government, normally sensitive to international criticism of its human rights record.

Reacting to Mr Ayala's meeting with the three moderate dissidents, Mr Roberto Robaina, Cuba's foreign minister, said the official was free to speak to whom he wished. "We want to show the world that, as far as human rights are concerned, Cuba has nothing to hide."

Mr Elizardo Sanchez, one of the dissidents who met Mr Ayala, said they gave him a list of 1,195 persons allegedly being held in Cuban jails for political offences ranging from rebellion to criticising Cuba's one-party communist government and leadership.

Mr Robaina said the human rights issue was being manipulated by the US in a politically motivated propaganda campaign against Cuba. US-sponsored resolutions passed by the Geneva-based UN High Commissioner for Human Rights have condemned the widespread jailing of political dissidents and other rights violations on the island. Other human rights organisations have made similar charges.

Mr Ayala risks angering his Cuban hosts if he endorses existing accusations against Cuba, but he could be accused of pandering to the government if he fails to probe alleged rights violations.

The Cuban government was expected to press its argument that one of the biggest violations against the rights of the Cuban people was the US economic embargo.

Clinton: should Washington provide credits for US arms sales?

Export credit debate holds up rethink, reports George Graham

US arms policy in firing line

The Clinton administration's plans to draft a new policy on arms sales overseas remain hobbled by an argument over whether to provide government financing to arms exporters.

A draft presidential security directive on conventional arms transfers, originally intended to be completed by the end of last year, has been sitting in President Bill Clinton's in-tray at the White House for nearly two months.

Although the different government agencies that have contributed to the review have reached general consensus on most of the policy, they remain divided over the question of an export financing facility.

The defence industry has lobbied hard for an agreement that would give them access to export credit guarantees once the US government has decided on national security grounds whether a particular weapons system can be sold to a particular country.

Administration officials involved with the directive say there has been "no recent movement" towards a decision, but remain hopeful one can be taken soon. However, Mr Clinton will have to resolve the export financing dispute between government agencies before he signs the directive.

"It's an important issue, but it's not driven by an immediate crisis, like everything else around here," said one administration official.

"It's chicken and egg. We can't have an export financing facility until we have a conventional arms transfer policy, but one of the reasons they're having trouble with the policy is that they are held up on export financing," said a defence industry executive.

The basic lines of the directive are understood not to differ much from existing policy.

"The basic reason for selling weapons overseas has been to advance our foreign policy goals. It will remain to advance our foreignpolicy goals," said Mr Kenneth Bacon, the Pentagon spokesman.

Nevertheless, the draft directive includes a recommendation that the US pay explicit attention to the strength of the US defence industrial base in its decisions.

Mr Bacon said no decision had yet been taken on the industrial base issue, but insisted that foreign policy considerations would remain dominant.

"You can have a decision to sell a certain type of weapon and then still face a number of decisions on exactly which weapon is sold... Those can be decided on a range of other issues that are below the central foreign policy consideration," Mr Bacon said.

Industry officials say the industrial base issue is unlikely to make much difference, since most arms sales are made to close allies where little controversy arises.

"We're not going to start selling aircraft to Iraq in order to keep one of our fighter lines open," says Mr Joel Johnson, vice-president for international affairs at the Aerospace Industries Association, a Washington-based trade group.

The issue of US arms sales has become more sensitive in the light of recent statistics showing that the US has become the world's leading arms supplier. Between 1990 and 1993, according to a study by the Congressional Research Service, the US's share of world arms sales rose from 42 per cent to 70 per cent.

Industry officials point out, however, that much of this apparent surge results from an increase in arms exports to Middle Eastern allies in the aftermath of Desert Storm and from the dwindling of Russian exports.

The Pentagon says that US overseas military sales declined from $33.2bn (£20.2bn) in the 1993 fiscal year to $12.9bn in fiscal 1994, which ended on September 30.

These sales are expected to range from $9bn to $10.5bn over the next three years.

But overseas sales are going to be particularly vital in an environment where the Pentagon's own military procurement has halved and where Mr John Deutch, the undersecretary of defence, is on the point of deciding which of a long list including virtually all the big weapons systems under development should be axed.

Cardoso secures clear win in main Brazilian states

By Angus Foster in São Paulo

Brazil's president-elect Mr Fernando Henrique Cardoso emerged as the biggest winner from Tuesday's gubernatorial elections after candidates from his centre-left Social Democracy party (PSDB) won in two of the country's most important states and looked set for victory in a third.

The PSDB's strong showing should help Mr Cardoso attract support to build a majority in Congress and will strengthen his bargaining power in negotiations over appointments to his government, set to take office on January 1.

The PSDB's most important victories came in the state of São Paulo, where former senator Mr Mário Covas won easily, and in Minas Gerais, where Mr Eduardo Azeredo was proclaimed winner with more than 90 per cent of votes counted. In Rio de Janeiro, where vote counting was proceeding very slowly, exit polls showed the PSDB candidate to be the clear winner.

Control over these three states, which account for about 60 per cent of Brazil's GDP, should help Mr Cardoso maintain the fight against inflation and underpin the new Real currency, which he planned when finance minister.

PSDB candidates were also declared to have won in the northeastern state of Sergipe and to be well ahead in Pará. Including a state won in first round elections last month, the PSDB now controls six of Brazil's 27 states, compared to only one before the polls. Only the Democratic Movement (PMDB), Brazil's biggest political party, controls more states and looks set to elect at least eight governors.

In Rio, where the army took to the streets and manned polling stations following widespread fraud at aborted elections last month, voting was peaceful. The restaged elections, for state and federal legislators, delayed vote counting in the gubernatorial race. Once counting is completed, the army is likely to prepare its next move against the city's drug traffickers, approved by the federal government two weeks ago.

The left-wing Workers Party (PT), whose candidate Mr Luiz Inácio Lula da Silva lost to Mr Cardoso in the presidential race, succeeded in electing its first ever governors. The PT won the small southern state of Espírito Santo and a second candidate looked set to win in the capital, Brasília.

The big loser was the right-wing Liberal Front party, which appeared to have won only one state, Bahia.

Venezuela opens its oil sector to private capital

Exploration tenders sought for first time since nationalisation in 1976, writes Joseph Mann

Venezuela's national oil company has developed a programme to open its exploration and production sectors to private capital for the first time since the oil industry was nationalised in 1976.

Petroleos de Venezuela, PDVSA, plans to seek tenders on profit-sharing contracts, under which private companies will be allowed to explore about 10 geographical areas onshore and offshore.

Successful companies must finance all exploration themselves. If commercial quantities of crude oil or natural gas are discovered, the private investor will then set up a joint venture with one of PDVSA's operating subsidiaries – Corpoven, Lagoven or Maraven – to develop the new fields and market the oil internationally.

If no oil or gas is found in commercial quantities, the private party bears the loss.

The PDVSA plan must still be approved by the cabinet of President Rafael Caldera and by a joint session of the Venezuelan Congress. PDVSA officials expect no big problems.

PDVSA, one of the world's largest oil companies, has extensive proven reserves of heavy crude oil and bitumen, but wants to boost its reserves of higher-value light and medium crudes to stay competitive internationally. At end-1993, PDVSA's proven reserves of crude oil stood at 64.5bn barrels, the largest in the western hemisphere.

Executives at PDVSA say geological and seismic studies indicate that the country still has large, undiscovered deposits of light and medium crude oils. Exploration of the most promising areas by PDVSA on its own would require capital investments of $6bn-8bn, taking more then 25 years.

However, PDVSA expects that if private investors join the effort to find oil, exploration of these same areas could be completed in 10 years, with all exploration investment paid for by private companies.

The areas to be put up for tender could hold between 7bn and 23bn barrels of light/medium crudes, plus 10,000bn cubic feet of gas, according to estimates made by PDVSA after a British Petroleum survey.

Winning bidders will be chosen on the basis of how much of their future after-tax profits they are willing to hand over to the state if they find oil and gas. PDVSA says that according to risk contacts offered in other countries, the state keeps between 71 and 88 per cent of after-tax earnings, with the remainder going to private investors.

In developing its proposals, PDVSA has been mindful of the failure of this year's round of oil and gas tenders in neighbouring Colombia. But while international oil companies such as Exxon, Shell, BP, Amoco and others have shown considerable interest in the Venezuelan plan, they have some reservations.

For example, some would prefer a transparent mechanism that would reduce their payments to the state to encourage them to develop profitably any smaller, more remote fields. The government is working on a plan which would offer possible post facto reductions in royalty payments in such cases.

Companies have also expressed concern about government policy, including strict controls on foreign exchange transactions and the suspension of constitutional rights to private property.

PDVSA and the government are working on possible solutions. PDVSA managers point out, for example, that when investors are ready to repatriate profits, probably in several years, exchange controls should have been lifted or softened.

"Venezuela is without doubt one of the most attractive countries for risk investment in exploration," said the local representative of a US oil company. "If PDVSA can work out the kinks, they should receive a strong response from bidders, and could obtain several billion dollars in exploration and development capital over the next decade."

Venezuela has been slowly opening up its nationalised oil industry for the last few years. Under the previous government, private oil companies were allowed to produce crude and natural gas under operating contracts in so-called marginal (relatively small) oil fields. But in these cases, the operator is paid on a per-barrel basis by PDVSA; the oil does not belong to the private investor and must be turned over to PDVSA.

Several important joint ventures between PDVSA units and foreign companies have been established in producing natural gas and upgrading heavy oil, but none has begun to operate. Until now, exploration for and production of crude oil (for eventual sale) had been off limits to private investors.

A Royal Dutch Shell subsidiary today hands back an important oil concession to Colombia's state-owned oil company, Ecopetrol, after the government declined to extend its operating contract, reports Stephen Fidler.

The subsidiary, Hocol, took over the 16,000 bpd concession from Tenneco in 1988. The concession, Nieva 540, consists of 10 fields and 134 oil wells about 150 miles southwest of Bogotá. Hocol said it was disappointed and would appeal against the decision.

The move follows an unsuccessful round of oil and gas tenders this year, in which bids were submitted for only four of the 21 exploration blocks on offer.

Mr David Battman, of Control Risks Group in London, says security remains a concern for oil companies operating in the country. But after having "shot itself in the foot over Shell", the government must be "seen to make more effort to entice foreign capital and expertise with more attractive contract terms and guarantees on taxation levels," he said.

Achievement boosting growth to 8.5% warmly endorsed

Vietnam gets $2bn in new assistance

By David Buchan in Paris

Vietnam was yesterday promised $2bn (£1.26bn) in new assistance at a foreign aid donors conference in Paris which warmly endorsed the country's achievement in boosting economic growth this year to 8.5 per cent while keeping inflation low.

The new aid comes on top of $1.8bn pledged last year to Vietnam, whose development efforts "deserved large-scale support from the international community," according to a communique issued at the end of the two day conference which was chaired by the World Bank.

"Vietnam is on the right track," Mr Callisto Modava, a regional director of the World Bank, said of Prime Minister Vo Van Kiet's economic reform policies.

"It has the right vision and is producing results," he said.

"This country clearly has the potential to be a real success story."

However, the Vietnamese delegation led by Mr Do Quoc Sam, chairman of the state planning committee, admitted that it had some problems in using some of the aid it received last year, and it promised to streamline its bureaucracy dealing with development aid and project implementation.

Of the aid pledged last year, about $400m had been disbursed.

Mr Madavo said said the disbursement difficulties stemmed from Vietnam's unfamiliarity with identifying suitable projects for receiving aid and the different procedures among individual donor nations for releasing cash.

It was not surprising there had been delays as this had been Vietnam's first year of dealing with donor nations, he added.

Kiet: 'right vision'

Vietnamese officials emphasised their government's 1995 priorities of reforming state enterprises and the budget, boosting private industry and agriculture, modernising the financial system and further opening the economy to foreign investment and trade.

The meeting concluded with agreement that alleviating poverty, protecting the environment and reforming public administration should be aid priorities.

In absolute terms Vietnamese remain very poor, despite rapid recent improvement.

Ten European countries plus Canada, Japan, South Korea, Singapore and Australia attended the Paris meeting as donors, while the US participated as an observer and made no bilateral pledges.

However, Republican Senator Christopher Bond of Missouri was reported during a visit to Hanoi as promising Vietnamese leaders that the new Republican majorities in both houses of the US Congress would continue efforts to improve relations between the two countries.

The US only lifted its trade embargo last year, 18 years after US troops quit Vietnam.

Kenya does a tidy-up before investors meet

Leslie Crawford weighs economic reform commitment on day of London conference

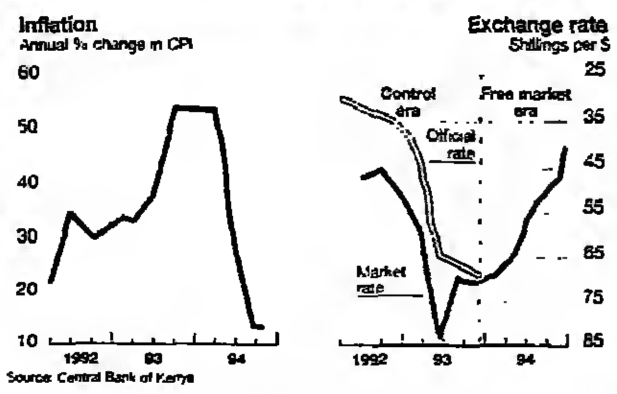
The end of the year usually heralds a flurry of economic reforms in Kenya. The proximity of the annual meeting of donor governments and reviews by the International Monetary Fund and the World Bank help concentrate the minds of policy makers as they struggle to meet targets to qualify for more aid.

This year has been no exception. Earlier this month, Mr Musalia Mudavadi, Kenya's finance minister, deregulated the oil industry – the last remaining sector of the economy subject to price controls.

Mr Mudavadi also announced that civil servants in his own ministry and the central bank were under investigation for the irregular payment of billions of shillings in export compensation last year to a trading firm, Goldenberg International. Its owner, Mr Kamlesh Pattni, who was charged with corruption earlier this year and later released on bail, is back in prison.

The actions appear to have been prompted by the need to convince donors that Kenya is committed to open government as well as an open economy. The slow judicial investigation into the Goldenberg affair – the biggest embezzlement of

Inflation continues to fall, shilling continues to rise



Source: Central Bank of Kenya

public funds in Kenya's history – had led many Kenyans to believe it involved powerful godfathers within President Daniel arap Moi's government.

The last-minute housecleaning may also have been inspired by President Moi's visit to London this week, where he is expected to inaugurate an investors' conference today. The meeting, organised by the Confederation of British Industry, hopes to sell Kenya as a reformed economy with good investment opportunities.

Rapid deregulation over the past 18 months has produced some encouraging results. Inflation has fallen from a peak of more than 100 per cent in early 1993 to an annualised rate of about 13 per cent.

Record prices for coffee will boost export earnings this year. After the removal of exchange controls, the Kenya shilling has, against expectations, appreciated against the dollar, while the central bank has accumulated $800m in foreign exchange reserves, equivalent to six months' imports.

With good rains promising a bumper maize harvest, and a strong shilling, Mr Mudavadi believes the goals of price and currency stability are within reach. "The economy is moving towards single-digit inflation, which it last encountered in 1967," he told a recent meeting of Kenyan employers.

But for the past three years, economic growth has been less than half the annual 3 per cent increase in population. Manufacturing is hurting from high domestic interest rates and a flood of cheap imports, while the strong shilling has eroded the profitability of the tourist industry. Despite a 10 per cent increase in tourist arrivals this year, most hotels on the Mombasa coast say they are operating at a loss.

"The government is acutely aware that in order to maintain social peace, the economy must create 450,000 jobs a year," says the director of a multinational company in Nairobi. "And in order to do so private investment must be revived."

The London conference marks Kenya's first attempt in many years to attract foreign direct investment into the country. Hopes are running high, but the outcome may fall short of expectations.

"Kenya is only likely to see incremental amounts of new investment from companies already based in East Africa," says one businessman who will be attending the conference. Kenya is a latecomer to the liberalisation game, having embarked on economic reform a decade later than Latin America and 20 years after south-east Asia. Its 26m citizens are too impoverished to provide an attractive domestic market for foreign manufacturers, while the pursuit of export-led growth stumbles over innumerable obstacles: the distance from export markets, a dilapidated infrastructure, a poorly-educated workforce and competition from other third world countries following similar strategies.

There are also lingering doubts about President Moi's commitment to staying the course, particularly if benefits are slow to materialise. He has reneged on the reform process before – reimposing exchange controls in March 1993 and banning grain imports in August this year.

Although both relapses were corrected, they reveal deep schisms within government over the policies adopted over the past 18 months. Mr Mudavadi and central bank governor Mr Micah Cheserem have often looked lonely and exposed as the principal championa of reform.

Much remains to be done, mainly in areas in which IMF technocrats fear to tread. The modernisation of the economy would proceed more rapidly, and far more smoothly, if its die-hard opponents were removed from senior positions in the civil service, the ruling Kanu party and President Moi's inner circle of advisers.

Political infighting has delayed the government's privatisation programme, while a weak judiciary, beholden to its political masters, has made little progress in investigating a host of financial scandals that robbed the exchequer of some Ks30bn ($461m) – 10 per cent of GDP – last year.

Economic liberalisation, however, is creating a groundswell for fundamental political change far greater than the social protests which brought about democratic elections in 1992. Forced to compete, businessmen have become far more critical of the system of political patronage which has made a few individuals immensely wealthy and rendered them above the law.

"Kenya has changed," says Mr Raphael Waita, deputy managing director of Caltex Oil Kenya. "Liberalisation has reduced corruption. We don't have to kneel before government officials any more. What we now need is a clear legal framework that creates a fair competitive environment for everyone."

Unita urges UN truce observers

The Angolan rebel movement Unita yesterday urged the United Nations to place observers in the African country's main battle zones to guarantee the observance of a truce due to take effect last night, Reuter reports from Lisbon and Luanda.

Unita's Lisbon office said in a statement that government forces could not be trusted to observe the truce, which is due to hold until a formal ceasefire is declared after the signing of a new peace agreement on Sunday.

"Unless the truce is followed by the rapid placing of Unavem (United Nations Verification Mission) observers in the areas where military activity is most intense, there is no guarantee that the government will order its generals and mercenaries to stop their attacks," it said.

The truce was clinched after two days of talks in Lusaka by commanders of the warring sides in a conflict which has killed hundreds of thousands of people, displaced millions and ruined the economy of the diamond- and oil-rich country.

The rebel statement said Unita did not trust the government's declared commitment to national reconciliation in view of the offensive it had launched since the two sides initialled the new peace agreement in Lusaka on October 31.

The offensive has led to the government's capture of Huambo, a Unita stronghold in the central highlands, the oil town of Soyo in north-western Angola and Mbanza Congo, the capital of Zaire province in northern Angola.

Representatives of both sides met in Lusaka secretly yesterday. Officials close to the talks said details of the close-door session were not expected to be made public before the weekend.

There has been no reaction so far from either President Eduardo dos Santos or Mr Savimbi to the truce declaration.

Military analysts said the truce merely halted immediate hostilities and details of the ceasefire, including the thorny issues of the security of Mr Savimbi and other leaders of Unita and the planned disarming of guerrillas, had to be sorted out before Sunday.

● South African Deputy President Thabo Mbeki yesterday ruled out deployment of a southern African military intervention force to rescue the peace process in Angola.

Responding to questions in parliament, Mr Mbeki dismissed reports that the South African government had considered joining such a regional military force to enter Angola when it appeared that a peace accord would not be signed.

Mr Mbeki said President Nelson Mandela and fellow leaders of the so-called frontline states of the region who met in Lusaka on Tuesday did not at any stage discuss military intervention.

Syrian executions concern Amnesty

Amnesty International expressed concern yesterday about an apparent increase in the number of executions in Syria and a lack of fair trials in death-penalty cases, AP reports. The group reiterated its longstanding concern about the cases of thousands of political prisoners in Syria. The statement came after the first visit to Syria by a team from the London-based international human rights group for talks with high-level officials.

Amnesty described as "positive" Mr Assad's release of thousands of political prisoners since 1991, but said there had been little progress made in reviewing the cases of others, some of whom have been jailed for more than two decades.

Amnesty said that during its visit, the delegation raised the cases of more than 1,000 people, including prisoners detained without trial, those held even after expiration of their sentence, torture allegations and cases of people who simply "disappeared".

The number of political prisoners in Syria runs in the thousands, Amnesty says, conceding that an exact figure is impossible to obtain under current circumstances. Some of the longest-standing political prisoners in Syria are senior politicians jailed after Mr Assad's bloodless coup in 1970.

NEWS: INTERNATIONAL

Lehman sues Chinese companies for $100m

By Simon Holberton in Hong Kong

Lehman Brothers, the US investment bank, is suing three of China's biggest trading companies for allegedly failing to pay nearly $100m (£64m) in debts arising from foreign exchange trading.

China United Petroleum Chemicals (Unipec), International Non-Ferrous Metals Trading (Minmetals) and China National Metals and Minerals Import and Export (CNM) have been given 30 days to appear before the US district court in New York to answer the claim.

According to documents lodged with the court, Lehman claims that Unipec owes it $44m, plus interest, arising from losses incurred in its foreign exchange and swap trading activities with the bank from May until August this year. Lehman claims a further $55.5m, plus interest, from Minmetals and CNM for losses arising from similar transactions over the same period.

The suits were filed on Tuesday and have stunned bankers in Beijing and Hong Kong. They said that the companies concerned were trying to raise bank finance and that, if the suits drag on, then international banks may be wary of lending to them.

"These companies have extensive international involvement," said one European banker stationed in Beijing. "Foreign banks have something to lose here, but China has more to lose from this action."

Lehman's decision to seek legal redress follows failed negotiations with the companies. In a statement, Lehman said the lawsuits should be viewed "only as a necessary step toward resolving a commercial dispute with two customers".

None of the Chinese companies concerned has made any comment.

The bank's lawsuit comes at a time, however, of increasing frustration with lending in China. Some bankers said yesterday that the suit might indicate that western financiers would be more public in seeking recovery of unpaid debts.

At the weekend it emerged that 31 foreign banks had petitioned Mr Zhu Rongji, China's economy minister, to help them recover $600m in loans to Chinese state industry which had gone bad.

The petition was submitted to Mr Zhu last month, the Tokyo newspaper, Nihon Keizai Shimbun, reported. The loans are believed to date back to the early 1980s and many of them are connected to leasing. Of the banks concerned, 24 of them are Japanese with total loans to Chinese industry outstanding of $1.8bn.

Bankers also said that problems the London Metals Exchange had encountered with China International Trust and Investment Corporation (Citic) had not engendered confidence in China. Citic Shanghai, a wholly-owned subsidiary, is alleged to have defaulted on obligations of between $30m and $50m arising from futures trading on the LME earlier this year.

Citic's initial response was to claim that the trading by Citic Shanghai was unauthorised and therefore not the responsibility of the parent company. Recently, however, it had indicated it would make good its obligations, bankers said yesterday.

"Citic is one of the very best names and we can do nothing but assume that they will settle the bill," said one.

Supporters of Nepal's Communist party celebrate in Kathmandn yesterday after their party took an early lead in parliamentary elections. Analysts believe the ruling Coogress party is still likely to emerge as the largest party Reuter

Keidanren sees short-term rise in unemployment

Deregulation boost for Japan by year 2000

By William Dawkins in Tokyo

Full-scale deregulation of the Japanese economy would cause a temporary rise in unemployment and a drag on growth, leading to a net rise in prosperity in six years.

That is the main conclusion of a report* by the Keidanren, Japan's leading business lobby, in support of its campaign to encourage the government to fulfil promises to curb the administrative controls which constrain an estimated 40 per cent of industrial activity.

The Keidanren predicts that the collapse of inefficient businesses as a result of increased competition would wipe Y10,000bn (£64bn) off gross domestic product and put 2.84m people out of work in the next few years. A rise in imports – already evident in recent months' trade figures – would come at the cost of a fall in domestic production, says the study.

By the year 2000 however, consumer prices would have fallen enough to produce a rise in real incomes and demand, which would feed through to an eventual rise in output. It cites independent forecasts of a 20 per cent fall in consumer prices by 2000, from the present level, around 50 per cent above average prices in New York, London, Paris and Berlin.

This would lead to a net increase in 740,000 jobs and a Y177,000bn rise in national wealth over the six years, equivalent to 5 per cent of GDP a year, according to a Keidanren economic model.

Its forecasts are hypothetical, given the government's reluctance to deregulate faster than the vested interests which help keep it in power will allow, and companies' traditional aversion to making redundancies. Yet the study is one of the clearest analyses yet of the practical problems ahead for Japan's latest deregulation drive, started just over a year ago by the former government of Mr Morihiro Hosokawa.

To ease the shock of transition to a freer economy, the Keidanren calls for joint government-private action to improve "social capital". By that it means improving urban infrastructure, telecommunications and improving Japan's current slim social services.

The study also urges the government to promote venture capital companies, to encourage small business to flourish in new markets opened up by deregulation. It calls for tax breaks for start-up companies, financial aid for their long-term investments and easier listing requiremeots for the over-the-counter (OTC) market. OTC listing rules are far higher than in the US, birthplace of modern venture capitalism, the Keidanren says.

The industries most likely to grow as a result of deregulation include service sectors, where Japanese productivity lags well behind the US and Europe, the study suggests. These include, sport, travel, telecommunications, multimedia and environmental businesses, says the Keidanren. Irrespective of deregulation, the study forecasts a growth in services for the elderly, where Japan has the world's fastest ageing population profile.

*Analysis of economic impact of deregulation and measures for employment (in Japanese only), from Keidanren, Keidanren Kaikan, 9-4 Otemachi 1-chome, Chiyoda-ku, Tokyo 100.

A tough act to follow, Page 21

INTERNATIONAL NEWS DIGEST

Bankrupt debts up 50% in Japan

The strains of recession continue to take their toll of corporate Japan, even into the beginning of the economic upturn, as shown by a sharp rise in bankruptcy debts last month. Debts left by corporate collapses rose by nearly half from September to Y845bn (£5.4bn) in October, just over double the level the same time last year, according to Teikoku Databank, a private credit research agency.

The figures are always volatile, distorted in this case by the Y518.5bn bankruptcy of Nippon Mortgage, the third largest business collapse of post-war years. They nevertheless highlight the continuing weakness of corporate balance sheets. However, there was good news in the number of company collapses, down by 2.5 per cent from a year earlier, for the fourth month in a row. Nearly two thirds blamed their failure on the recession, while a mere 10 out of the total of 1,236 October bankruptcies cited the yen's strength as the reason for their collapse. *William Dawkins, Tokyo*

Australia extends offshore zone

Australia doubled in size yesterday, as it formally claimed massive new offshore territory under an international "law of the sea" convention. The 1982 United Nations Convention of the Law of the Sea, which was finally ratified this year, aims to divide about 35 per cent of the world's oceans among over 100 countries. In Australia's case it means that the country can claim an exclusive economic zone extending 200 nautical miles from its baselines, instead of the traditional 12 miles.

Because of the nation's extensive coastline it is now claiming around 5.7m sq miles of ocean water, of which 4.2m sq miles derives from the new extended nautical limits. As a result, Australia can boast one of the largest "exclusive economic zones" in the world.

While much of the additional territory is undisputed, there is disagreement with Indonesia over territory around Christmas Island and off the north coast of Australia, including the resource-rich Timor Gap. *Nikki Tait, Sydney*

Aborigine fund move defeated

Efforts to increase significantly the money available to a federally constituted Aboriginal land fund were defeated yesterday in the Senate, the Australian parliament's upper house. The fund is designed to acquire land on behalf of the vast majority of Aborigines who will see no practical benefit from the country's Native Title legislation, which was passed with much difficulty last year. The Native Title act was the first piece of legislation to acknowledge that Australia was inhabited before European settlement.

At that stage the government promised to set up a land fund to make acquisitions on behalf of dispossessed Aborigines. However, when details of the scheme were released, critics said it was too small to be viable, and poorly structured. Amendments put forward, but defeated in the Senate yesterday, would have increased funds flowing into the land fund to A$15bn (£7bn) over a 10-year period. The current government plan is for just A$1.4bn, over the same decade – with much of this money being invested to ensure that the fund is self-sustaining in 10 years. *Nikki Tait*

N Korea to let in inspectors

North Korean diplomats told United Nations atomic safeguards officials yesterday that inspectors could leave for North Korea as soon as possible to begin some measures to monitor a nuclear freeze, UN officials said. Mr Kim Gwang-sop, North Korea's ambassador in Vienna, said the International Atomic Energy Agency (IAEA) should also send a technical team to Pyongyang to discuss details of monitoring the freeze agreed with the US in a breakthrough accord last month. "This was a good start," said Mr Hans Meyer, IAEA spokesman, at the end of talks between Mr Kim and IAEA safeguards department chief Mr Bruno Pellaud at the agency headquarters in Vienna. "Our technical team could leave for North Korea by the weekend," he said.

North Korea pledged in its agreement with Washington to halt activities at its nuclear sites and stop construction of two new nuclear reactors in return for modern western nuclear technology, in an operation estimated to cost $4bn (£2.56bn). *Reuter, Vienna*

Fighting flares in Somalia

Heavy fighting between rival clan forces erupted in Somalia's breakaway north-western capital of Hargeisa, forcing relief workers and hundreds of civilians to flee, foreign aid officials said yesterday. Some 20 relief workers from the United Nations and other agencies had abandoned the town where fighting raged on Tuesday. The workers were attempting to leave by road to Burama, about 160km west, the officials said by satellite telephone from Hargeisa.

Witnesses described scenes of mayhem as hundreds of civilians fled on foot through the streets of the war-damaged city as the rival clans duelled with mortars, anti-aircraft guns and small arms fire. The number of casualties is not yet clear. The fighting was between Habr Awal clan militias loyal to Mr Mohammed Ibrahim Egal, the "president" of the breakaway republic of Somaliland, and Habr Yunis militias loyal to the north-western region's former ruler, Mr Abdurahman Ahmed Ali "Tur". North-western Somalia was devastated by a civil war which erupted in 1988 and spread to the southern capital of Mogadishu. *Reuter, Mogadishu*

WORLD TRADE DIGEST

US keeps trade and rights link

The US yesterday said it would continue to press for a link between fundamental worker rights and trade, despite strong opposition from many developing countries and lukewarm support at best from other western nations. Mr Jack Otero, US deputy undersecretary of labour, said Washington hoped to convince trading partners that all nations, whatever their level of development, should respect some core principles of "basic human dignity". He denied charges that the US stance was a pretext for trade protectionism.

Mr Otero was speaking after a lively debate earlier this week in the governing body of the International Labour Organisation on an ILO proposal for five key conventions to be incorporated in world trading rules. The conventions cover freedom to form a trade union, to bargain collectively, and the prohibition of forced labour, child labour and discrimination. The ILO discussion is due to be resumed next March. The US would also raise the issue in the OECD and the future World Trade Organisation, Mr Otero said. *Frances Williams, Geneva*

India foreign investment move

The Indian government yesterday approved 51 proposals for foreign direct investment worth over Rs5bn ($955m). The finance ministry said some of the projects have projected export earnings of about Rs30bn over five years. Projects include General Electric's proposal for the manufacture, design and distribution of electric motors and control appliances; Croda International, a global chemicals company with factories at over 30 locations, has been permitted to set up a subsidiary to market speciality chemicals and later set up its own manufacturing base and Rhône Poulenc, the French pharmaceuticals company, has received clearance to set up a joint venture to manufacture drugs to fight cancer, Aids, and cardiovascular diseases.

CSC Holdings, a subsidiary of KLM Royal Dutch Airlines, will set up a wholly owned subsidiary in India to enter the cargo, transportation, and warehousing business. ITC, the Calcutta-based conglomerate will set up a joint venture with two Malaysian companies to develop oil-palm plantations in the state of Andhra Pradesh. *Shiraz Sidhva, New Delhi*

Suez cuts some ship tolls

The Suez Canal Authority has announced a 35 per cent rebate for liquefied natural gas carriers headed to European markets from the south, in an attempt to attract new customers and deter competition from alternative routes. The discount will apply also to ballast carriers on their southbound trip. A minimal number of gas carriers presently use the Suez Canal. *Foreign Staff, London*

□ Ericsson Telefon has won an order to convert the analog mobile telephone system in Ho Chi Minh City, Vietnam, into a digital network. The order was placed by Singapore Telephone International, the operator for Saigon Mobile Telephone Co. The value of the order was not disclosed. *AFX, Stockholm*

□ The Telecommunications Authority of Singapore is inviting applications for licences to operate and provide Differential Global Positioning System (DGPS) services. GPS is a navigation system consisting of 24 satellites in space. A GPS receiver gives its user an accurate three dimensional position as well as precise time anywhere in the world, 24-hours a day. *Reuter, Singapore*

■ BAT Industries' Sri Lankan subsidiary, Ceylon Tobacco, plans to expand and upgrade its production at a cost of $20.4m over the next two years to boost exports. By 1995, it will install three new cigarette manufacturing machines and one new packing machine. *Reuter, Colombo*

Italy, UK finance plan for Kazakh pipeline

By Steve LeVine in Alma Ata

British Gas and Italy's Agip are considering co-financing a $1.2bn oil pipeline at the heart of a dispute with Russia, according to Kazakhstan officials.

Kazakhstan's deputy foreign minister, Mr Viacheslav Gizzatov, said British Gas and Agip might join Chevron of the US in financing the pipeline, connecting the Tengiz field to Russia's Black Sea port of Novorossisk.

The pipeline would also carry oil condensate from a rich northern Kazakhstan field, Karachaganak, which British Gas and Agip intend to develop. British Gas and Agip possess exclusive rights to develop Karachaganak, which contains proven reserves of 1,300bn cu m of gas, 650m tonnes of condensate and 200m tonnes of oil.

The financing proposal is part of an attempt to break a logjam that has held up Chevron's $20bn contract at Tengiz, the former Soviet Union's largest oil field.

Kazakhstan is believed to contain some of the world's richest oil and natural gas reserves. But all export pipelines to the west pass through Russia, which industry officials say has thrown up obstacles to expansion. Chevron has refused to proceed with development of Tengiz, estimated to contain between 6bn and 9bn barrels of recoverable oil reserves, until the pipeline issue is settled.

The financing proposal involves plans to expand the existing oil pipeline to Novorossisk. A three partner consortium of Oman Oil, Kazakhstan and Russia possesses the right to operate the expanded pipeline that would carry Tengiz's production.

Russia and Oman Oil are insisting that Chevron arrange virtually the entire cost to build the pipeline, in exchange for a 25 per cent stake in the consortium. In turn, Chevron has offered to finance half the pipeline, but effectively wants to exclude Oman, which has put in no finance.

Paris rethinks line on ships

By David Buchan in Paris

France may drop its threat to veto a new international ban on direct shipbuilding subsidies if, in talks with Brussels, it can find other ways to help its merchant-ship construction sector.

At stake is last July's agreement between European, US, Scandinavian and Asian countries representing 80 per cent of world shipbuilding. Negotiated over five years within the Organisation for Economic Co-operation and Development (OECD), the agreement would put an end to the system whereby European Union governments can pay up to 9 per cent of the cost of a boat built in national yards.

The agreement would not come into force until 1996. But the German presidency of the EU is keen to get the deal, negotiated by the European Commission, ratified at a Council of Ministers meeting on November 28. France has made no secret of its opposition to the deal, and threatened last month to invoke the "vital interest" clause of the 1966 Luxembourg compromise to block it.

However, to avoid a damaging confrontation with Germany, the Balladur government has seized on suggestions from Brussels that Paris could exploit the OECD agreement's authorisation of some indirect aid by increasing payments for research and development, environmental and training purposes. "This would be an elegant way out," an expert in the OECD negotiations said.

To date, France has refused to follow Spain, Portugal and Belgium in winning an extra period to phase out subsidies under the OECD accord by agreeing to further capacity cuts. "We have restructured enough," said one French official, citing the drop in the number of French-built merchant ships from 25,000 in 1975 to 4,800 now.

"But the Commission has suggested we come up with a plan that takes account of past restructuring expenses," such as redundancy payments, the official said yesterday. Brussels officials stressed, however, they were suggesting nothing that would break an agreement which has the support of 11 other EU members, as well as the signatures of the US, Japan, South Korea, Finland, Norway and Sweden.

French officials believe that Germany will help Paris out of the impasse. They said the OECD negotiations were triggered by the US threatening Germany, Japan, Korea and Norway with retaliation for unfair trade practices, and claimed Paris had been accommodating in letting Bonn raise subsidies to the Rostock yards in eastern Germany.

The OECD accord allows governments to offer "home credits" (to a domestic buyer to buy a domestic ship) equivalent to "export credits" (for foreign purchasers of boats built at home). But France complains that, with the French merchant fleet ranking 36th in the world, it has too few shipowners left to take advantage of this.

Experts counter that France's problem is that its yards no longer make enough of the vessels sought by shipowners. Its small-ship construction sector has specialised in cruise ships and LNG gas carriers, and has performed well in export markets. Of the 15 ships on order to French shipowners, only four are being built in French yards.

US pressure on trade deals in Asia pays off

By Manuela Saragosa in Jakarta

Mr Ron Brown, US secretary of commerce, yesterday witnessed the signing of $40bn-worth of contracts and memoranda of understanding between Indonesian and US companies in Jakarta.

The deals, which came a day after the signing of free trade plans at the Asia-Pacific Economic Co-operation summit, reflect the more aggressive stance by the US government to helping US companies secure contracts overseas.

"In contrast to previous administrations, we have unashamedly been active in helping our businesses win contracts abroad," said US President Bill Clinton in Jakarta. Many of the contracts have been in the pipeline for some time.

Over the past few days the US has signed contracts and memoranda worth more than $400m in the Philippines and clinched deals worth more than $250m in Malaysia.

Topping the list of deals in Jakarta was an undertaking between Esso Exploration and Production Natuna and Indonesia's state-owned oil company, Pertamina, to sign a basic agreement to develop the $35bn Natuna sea gas project.

The US Eximbank Bank supported two of the Indonesian deals; a credit agreement with the ministry of finance to back a $65m AT&T contract with PT Telkom and a memorandum of understanding with the forestry ministry to support Motorola's $104m forest radio communications system project.

Britain's Philip's Systems made an initial bid for the latter project and completed the preliminary stages in implementing forest radio communication systems in Indonesia. However, it lost out to Motorola in the later stages.

The Eximbank agreements are part of new US "Tied-Aid" credit offers.

The policy "is designed to counter foreign tied-aid offers and level the financial playing field for US exporters," the bank said. Tied aid is government to government concessional financing which is linked to the purchase of donor country exports.

Other memoranda included a $2.6bn project for the supply of power equipment and services by Mission Energy and General Electric to Indonesia's first large-scale independent private power project, Paiton.

Heard Energy Corporation headed a consortium of bidders which signed a memorandum of understanding for a $200m power project with Indonesia's directorate of electricity and energy development and PT Panha Serodia Pradhana.

The companies are expected to build, own and operate a 200MW coal-fired power plant to supply Indonesia's state owned electricity company, PLN.

Dole seeks review of WTO's decisions

By Nancy Dunne in Washington

Senator Robert Dole, the likely majority leader of the US Senate, is requesting establishment of an eminent person's group to review decisions to be taken by the new World Trade Organisation and report on them to Congress.

He is also seeking assurances that the US could pull out of the WTO at any time after it succeeds the General Agreement on Tarrifs and Trade next year. Mr Dole, who represents the grain-growing state of Kansas, said he was looking for a way to "extricate us from the World Trade Organisation, if we are getting adverse decisions. That's the big sticking point, at least in my part of the country."

Mr Dole's suggestions coincided with requests from Republican leaders to delay a vote on a the Uruguay Round world trade treaty due at the end of the month. Mr Jesse Helms, of North Carolina and incoming chairman of the Senate Foreign Relations Committee, wrote to US president Bill Clinton requesting the vote on liberalising world trade be postponed until early in 1995 because more hearings were needed.

Republicans will take control of both the House and Senate next year and some Republican lawmakers believe the change in power gives them an chance to recast the Gatt legislation.

Robert Dole: wants establishment of an eminent persons group

Under congressional "fast track" rules, the implementing legislation now moving through both Houses cannot be amended.

Mr Leon Panetta, White House chief of staff, has called for bipartisan co-operation on the Gatt treaty. "I think all of us recognise the importance of getting that kind of major trade agreement enacted," Mr Panetta said. "It will be a test of our ability to work together to ensure that we are trying to protect this country's interest," he said this week.

The new provisions, as proposed by Senator Dole, could be attached to a trade bill which would also grant the Administration renewed fast track authority to negotiate new free trade agreements in Latin America.

Senator Dole, widely expected to run for his party's presidential nomination in 1996, is seeking to placate the many conservative Republicans who oppose the WTO on the grounds that it will require the ceding of US sovereignty to an international organisation.

The Gatt treaty, which took seven years to negotiate, would cut trade barriers and cut tariffs worldwide.

China the big prize in Asian beer sales contest

Heineken, the Dutch brewer, has until now had the Asian beer market largely to itself as other big European or American brewers were content with their domestic markets.

But with home markets stagnating and Asian countries offering the fastest rising beer consumption in the world, Heineken is racing against the likes of Anheuser-Busch and Philip Morris of the US, Kirin of Japan, Molson of Canada and San Miguel of the Philippines to establish its brand in new markets.

The prize is China, already the third biggest beer market after the US and Germany. Demand is largely met by a highly fragmented domestic brewing industry. But consumption is growing so fast that additional sales each year amount to 20m hectolitres, equivalent to the total yearly beer consumption of a much more mature market such as France.

To cope with this growth, the Chinese government has already opened up the industry to a handful of foreign investment projects with more to come. Heineken, for example, already has a stake in Fujian Brewery in Fuzhou and

Ronald van de Krol on the market of the future

hopes it can establish up to four more ventures in China by the end of next year.

In common with its competitors, the Dutch brewer is also pushing into small countries. Following on from deals in Vietnam and Thailand, its latest project is a brewery in Cambodia where per-capita beer consumption is a fraction of that in Heineken's Netherlands home market.

Some of Heineken's rivals are larger but the Dutch company has advantages gained from its experience abroad. Anheuser-Busch's revenues, for example, were $13.2bn last year but only 3.8 per cent came from outside its US home market. Heineken's revenues were less than half that but Europe accounted for only 49 per cent with a further 25 per cent from elsewhere in the western hemisphere, 15 per cent from Africa and 11 per cent from Asia.

To further its Asian ambitions, Heineken is drawing on its 63-year-old joint venture with Fraser & Neave, the Singapore-based drinks group. Asia Pacific Breweries (APBL) is 42.5 per cent owned by Heineken which looks after technical aspects while sales are the responsibility of its Singapore partner.

The two partners, who have already invested through APBL in Vietnam, China and Thailand, expect to invest another Fl800m ($475m) in Asia over the next five years, nearly four times as much as they spent in the preceding five-year period.

For Heineken, the attraction of APBL lies in its local expertise in Asian markets and its Tiger beer brand. This allows Heineken to pursue a two-pronged approach using national and regional brands plus its international Heineken brand. The Cambodian brewery, for example, will produce Tiger as well as another APBL brew, ABC Stout while Heineken will export its own premium lager to the country.

Heineken usually begins to build brand awareness in a country in this way. Once the brand is established, it often switches to producing it locally. Thailand will be one of the next countries to begin brewing the lager.

For all its success in emerging Asian markets, Heineken has not always succeeded in more mature ones. In Japan, where Heineken is brewed under licence by Kirin, and in South Korea, where Heineken is imported, the company has had to admit that sales are disappointing.

Israel eyes wider EU trade ties

But talks stall over pace of drive into Europe, writes **Julian Ozanne**

Israel is seeking long-term strategic economic integration with Europe in its negotiations over a new trade association agreement due for completion by the end of the year.

But the negotiations, which made substantial progress earlier this year, have stalled over differing views of the pace of Israel's economic drive into Europe.

Israeli officials say they envisage the agreement leading to a fundamentally new relationship between Israel and Europe under which Israel will be granted the same status as members of the European Free Trade Association (Efta) within the framework of the European economic area.

"We want the benefits of economic membership of the EU without political membership," said Mr Oded Eran, the co-head of the Israeli negotiating team.

Israel's push towards Europe reflects the growing position of the EU as Israel's main trading partner. Last year the volume of Israel-EU trade was $14.4bn, 40 per cent of Israel'a total trade, and is projected to increase next year to almost 50 per cent.

Senior EU officials say they share the long-term vision of Israel having a special place in Europe but believe the process should be evolutionary. The EU is growing increasingly frustrated with Israel's rigid demands in agriculture and public procurement which could derail efforts to sign the agreement by the end of the year.

"You can always ask for the moon but we are saying take what you have got and continue from there," said Mr Juan Prat, European Commission director general, on a recent visit to the region.

Mr Prat said the EU had already made considerable concessions to Israel in the current talks which would institutionalise political dialogue and help to reduce Israel's $6bn trade deficit with Europe.

Under the agreement, Israel will become the first non-European country to gain access to the EU's research and development programme. The EU has also revised rules of origin and accepted the principle of rules of origin to allow products resulting from Arab-Israeli joint ventures access to the free trade area.

The changes in the rules of origin will have a favourable impact on Israeli exports of high tech, electronic and communications products.

But while Israel has said they are satisfied with these concessions, they want the EU to open further its agricultural market to cut flowers, easy peel citrus fruits, table grapes and processed products such as juices.

The move is opposed by southern European states, notably Spain and Italy.

Israel argues the EU must recognise that, as part of the Middle East peace process, it has opened its markets to Palestinian agricultural produce in the face of opposition from Israeli farmers and is being asked to make further trade concessions to Jordan.

Peace with Syria would involve an Israeli withdrawal from the Golan Heights, further damaging Israeli agriculture.

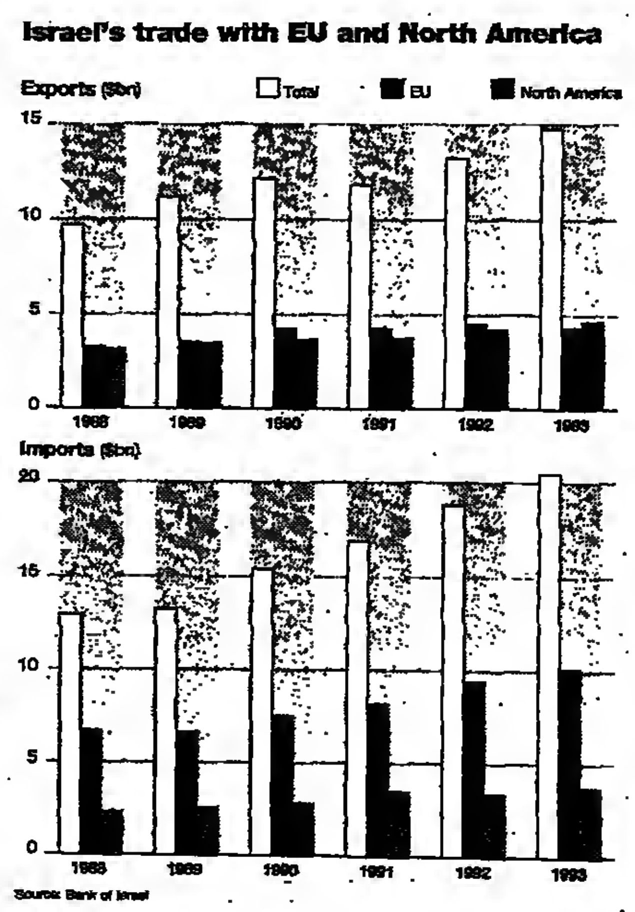
"We are being asked to make trade concessions to the region to consolidate peace and, in return, we are asking Europe to make an economic balance by deeper association," said Mr Eran. "Agriculture is the perfect example where Europe could offset the concessions we made to Palestinians by making concessions to us."

Israel is also holding out for concessions in opening of the EU market for public procurement in telecommunications and says the EU's demand for a reciprocal opening of all sectors of public procurement would worsen its trade deficit.

The EU says it accepts Europe must play a critical role in cementing Middle East peace and is prepared, as a much bigger economy, to make uneven concessions to Israel but it expects some reciprocity. Mr Prat said Israel had not complied fully with the 1975 trade agreement. An example, he said, was Israel forcing a one year certification process on imported tourist buses from Spain.

Mr Prat said the EU wanted to reduce Israel's trade deficit and the agreement, as it stands, would considerably help to narrow the deficit. But he said: "Israel has a structural trade deficit with the world, including the European community... The agreement will help the trade deficit and this is our objective but it is not the miraculous solution."

Ultimately the dispute between Israel and the EU is more about timing. Israel wants a huge leap forward in economic relations enshrined in the new association agreement. Europe believes the agreement should grant considerable benefits now, as a stepping stone towards the fuller economic integration Israel wants.



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Premier rejects joint authorities for Ireland

By David Owen and Stewart Dalby

Mr John Major, the prime minister, yesterday tried to reassure unionists about the direction of talks on Northern Ireland's future, telling MPs that a joint authority to handle relations between Ulster and Dublin had beeo rejected by the Britisb and Irish governments.

Speaking on the eve of the first visit to the British parliament for more than a decade by Mr Gerry Adams, the Sinn Féin president, the prime minister said the government would begin talks next month with both the IRA's political wing and loyalist representatives – "so long as the ceasefire is maintained".

In those talks, the decommissioning of illegally held weapons would be "a vitally important subject," Mr Major said, adding: "Gun law has no part in democratic politics."

It is understood that the talks with Sinn Féin will probably begin first.

The prime minister assured MPs that Northern Ireland remained at the top of the government's priorities, but said there was still "a long way to go" before peace was secure. He said good progress had been made lo discussions with the government of the Irish Republic on the joint framework document that will form the basis of future talks involving Ulster's main political parties.

The document would contain proposals for a locally-elected Ulster assembly and framework for cross-border structures to handle north-soutb relations. But he said the framework would not be "a straitjacket". It was not a "London-Dublin deal" that was set to be imposed. Mr Tony Blair, the Labour leader, expressed "cautious optimism" on the province's future and promised Labour would continue to support the peace process.

Mr Major's remarks came as leading unionists made clear they would not be sorry to see the departure of Mr Albert Reynolds, the Irish prime minister, if he lost the premiership.

Mr David Trimble, the Ulster Unionist party's legal spokesman, said: "in a sense almost anyone would be better than Albert Reynolds." Mr Trimble added: "As we see it Mr Reynolds . . has been trying to get quick results. He has been trying to force the pace of peace negotiations and creating an air of crisis." Mr Trimble rejected the idea that the republic's Fine Gael party is more pro-unionist than Mr Reynolds's Fianna Fail.

Mr David Ervine of the Progressive Unionist party, which speaks for some loyalist paramilitaries, said a change of government would not damage the peace process. He said: "This is a bigger issue than any individual or any group of individuals."

Cheesemaker Peter Gott delivers some cheese to the prime minister's residence at 10 Downing Street yesterday, along with a petition complaining about deregulation of the milk industry, which has raised prices for small producers *Photograph: Trevor Humphries*

Post Office set to expand into travel insurance

By David Owen

Britain's Post Office is close to a deal with a leading insurer that would enable it to sell travel insurance through many of its 20,000 branches.

The deal, expected to be finalised by January, is part of a drive by the Post Office to expand the range of products and services offered through what the government has described as the largest chain of shops in Europe.

Three companies are understood to be on the shortlist for the travel insurance deal.

The arrangement is likely to be structured to give the Post Office a percentage on every policy or block of policies sold.

News of the transaction comes less than two weeks after the government was forced to abandon plans to privatise Royal Mail, the Post Office's letters division, following opposition from some Tory backbenchers.

Post Office managers are now keen to exploit government guidelines on the range of transactions that can be handled through the organisation's retail network, Post Office Counters, and are seeking to branch out into financial services and insurance.

According to Mr Bill Cockburn, chief executive, new business generated as a result of the relaxation of the guidelines may eventually account for as much Post Office Counters business as Royal Mail does. In the year to March 1994, Royal Mail accounted for £221m of the branch network's £1.09bn turnover.

Mr Cockburn added: "Within a five-to-10-year timescale, we should be thinking about creating a significantly larger raft of new business in the Post Office as a result of the wider powers the government has given us. The thing the post offices are very good at is doing nationwide transactions in very large quantities."

He intends to continue pressing the government to let the Post Office forge joint ventures – something ministers have opposed in the past.

He regards airlines, technology companies and printing groups as the sort of organisations the Post Office could team up with in this way. Since May, the organisation has offered *bureau de change* services, in conjunction with Bank of Ireland, at some 4,000 Post Office branches. About 1,500 branches were involved in this week's launch of the UK's national lottery. The new guidelines were set out in a government paper on the future of postal services. Previously, the Post Office was allowed to do business only for the public sector and recently privatised utilities.

Trafalgar backed for Samsung deal

By Andrew Taylor, Construction Correspondent

Trafalgar House has been named by Samsung of South Korea as the chosen developer for its £600m plan to expand production of electronic consumer goods in north-east England.

The decision to build a manufacturing complex at Wynyard, Cleveland, was announced by Samsung last month. It is the world's 14th-biggest industrial group.

The complex, which will produce consumer goods including microwave ovens and computer monitors for the European market, is expected to provide 3,000 permanent jobs by the end of the decade and will create substantial employment during the construction phase. It will be the biggest single European investment by a Korean company.

Preliminary design work has been started by Trafalgar House, the UK construction, property, shipping and hotels group.

A construction contract has still to be signed, but Trafalgar is in a strong position as favoured developer. Mr Chan Bae, Samsung Electronic's UK managing director, said yesterday: "We are looking forward to working closely with Trafalgar House over the next few years."

The complex – the Samsung Industrial Park – will eventually comprise five manufacturing plants as well as training and administrative centres.

The first phase includes the construction of microwave oven and computer monitor plants on the 200-acre site close to Samsung's existing £20m colour television factory.

A second phase providing facilities to manufacture facsimile machines, colour display tubes and personal computers is planned to start in 1997.

The company plans to move its European headquarters from Frankfurt to London. The UK government offered Samsung £58m in regional grants and loans to secure the project. With indirect aid, the support is equivalent to 20 per cent of Samsung's investment.

UK NEWS DIGEST

Social worker wins landmark stress ruling

A former senior social worker at Northumberland County Council in northern England yesterday became the first person in the UK to win an action against his employers for negligence after his workload damaged his health.

The High Court ruled that the council had breached its duty of care to Mr John Walker, 57, whose workload drove him to a nervous breakdown.

Mr Alan Jinkinson, general secretary of the public services union Unison, which brought the case, said: "This is a warning to employers that they can no longer expect their staff to pay with their health while struggling to provide under-funded, under-resourced services."

Mr Walker of Whitley Bay, Tyne and Wear, had been area manager responsible for a team of social workers in the Blyth Valley area since 1974.

He suffered a breakdown in November 1986 after his workload grew because of the rising number of child-abuse cases in the area.

The union said Mr Walker would seek more than £200,000 in damages.

Mrs Ann Robinson, head of the policy unit at the Institute of Directors, said: "Most of us who employ people had better shut up and go home. It will make people think very carefully about employing anyone at all." The number of cases facing employers in areas such as maternity rights, repetitive strain injury and now stress was becoming an increasing problem, she said.

Red Baron relic unsold

A piece from the plane of First World War fighter ace "the Red Baron", which had been expected to fetch up to £100,000, failed to sell at auction today. Bidding for the relic, from the red Fokker triplane of Baron Manfred von Richthofen, reached £21,000 before it was withdrawn.

A spokeswoman for the auctioneer said: "It is such an unusual item, it was very difficult to value and I think perhaps people didn't know what the appropriate price was."

The piece, depicting the distinctive Balkan Cross, was salvaged by an Australian infantryman and later given to an American surgeon whose son put it up for auction at Phillips.

The Baron, who shot down 80 planes died in the Fokker, brought down by Allied forces in April 1918. The plane's engine is in London's Imperial War Museum.

Trial hitch for Nadir aide

Mrs Elizabeth Forsyth, a close associate of Mr Asil Nadir, cannot be put on trial until the Swiss authorities have sent evidence to Britain, London's Bow Street magistrates were told yesterday.

Prosecution solicitor Mr Peter Kiernan said the Serious Fraud Office hoped to have its requirements before Christmas. It was planned that Mrs Forsyth's case would then be transferred to a crown court.

Mrs Forsyth chaired South Audley Management, the company that dealt with the personal tax and property affairs of Mr Nadir, chairman of the fruit-to-company Polly Peck International.

Mrs Forsyth successfully applied through her solicitor for reporting restrictions on the proceedings to be lifted, a move which was described as unusual.

Increase in base rates and mortgage costs causes rise in inflation but prices remain level for other goods

RPI up 0.1% in October

By Gillian Tett, Economics Staff

The recent rise in base rates and mortgage costs pushed the inflation rate up last month.

But this was partly offset by flat prices in most other categories of goods, suggesting that high street price competition remains intense in the approach to Christmas.

Overall, the Central Statistical Office yesterday said that the all-items retail prices index, which takes 1987 as 100, rose to 145.2 in October.

This was 0.1 per cent higher than in September, and 2.4 per cent higher than in October last year.

Most of this increase stemmed from the rise in base rates in September, which pushed up mortgage interest payments and added 0.4 percentage points to the overall inflation index. The CSO said this effect was exacerbated by a rise in outstanding mortgage debt.

Prices in most other areas were flat, or even fell. Consequently, if mortgage interest payments are stripped out of the index – the measurement favoured by the government – "underlying" inflation fell slightly in the month, and was only 2.0 per cent higher than in the previous October, the same as in the previous month.

This figure was better than City predictions. Mr Ian Shepherdson, economist at Midland Global Markets said: "This is another excellent set of inflation data."

He pointed out that the most favourable aspect of the data was that the price weakness was concentrated in the "core" consumer areas and did not stem from erratic elements.

With prices flat in both consumer goods and many service sectors, the data suggest that the discounting mentality seen in food retailing last year is increasingly spreading to other consumer areas.

Motoring costs fell 0.5 per cent between September and October, due to lower petrol and secondhand car prices. Big secondhand cars, for example, were up to £200 cheaper.

The price of household service dropped 1.1 per cent in the month, and 1.4 per cent in the year to October, reflecting lower telephone charges.

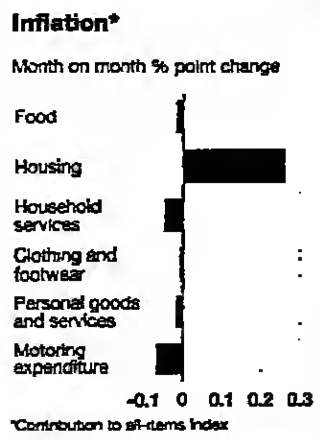
Food prices were 1.1 per cent higher in October than the year before, largely because of intense supermarket discounting last autumn.

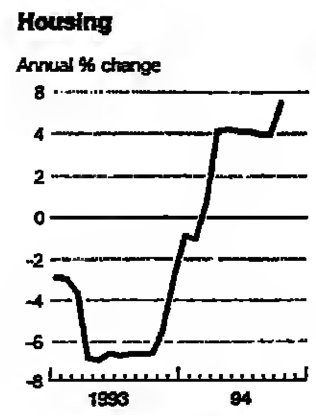
But food prices were 0.2 per cent lower than in September. Although seasonal food prices rose, there was discounting on bread, beef, sweets and prepared meals.

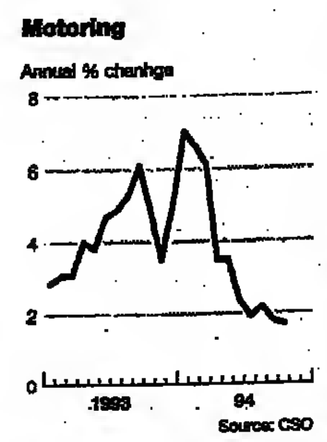
Mr Nick Parsons, economist at Canadian Imperial Bank of Commerce, said: "It appears that retailers are entering a further round of aggressive price discounting."

Clothing and footwear fell by 0.1 per cent during the month, even though clothing and footwear prices have risen in October in previous years as a result of new stock. The CSO said: "There appears to be a new mid-season sales effect creeping in."

Nevertheless, some analysts yesterday warned that these factors could be reversed in coming months. Mr Adam Cole, economist at James Capel said: "Several factors ... suggest that we are close to a turning point and we expect a modest upwards drift in all measures of core inflation from here."







Faster growth in pay signalled

By Philip Coggan

Signs emerged in September that pay growth is edging up, in spite of the annual growth rate of underlying average earnings remaining unchanged at 3.75 per cent.

In the production sector underlying average earnings growth increased from 4.25 per cent in August to 4.5 per cent in September. Manufacturing earnings grew at 4.5 per cent in September, after August's rise had been revised up to 4.5 per cent from 4.25 per cent.

The overall figures are being kept low by the services sector, where annual earnings growth was unchanged at 3.5 per cent in September. The services figure will be affected in October by the 4.5 per cent settlement for 750,000 local authority manual workers. Last year they received an increase of only 1.5 per cent.

The underlying figures for average earnings smooth out the effects of factors such as pay arrears and industrial disputes. The seasonally adjusted growth in average earnings in the year to September was 3.8 per cent, down from 3.9 per cent in August.

Mr Michael Portillo, employment secretary, said: "Earnings growth is still some way above the inflation figure and this is an undesirable situation from the point of view of maximising employment growth."

In spite of the rise in manufacturing earnings, wages and salaries per unit of output were 1.4 per cent lower in the three months to September than in the same three months of last year. This was the biggest fall since records began in 1970. Figures for previous months have been revised down.

The strong increase in output and the lack of growth in manufacturing employment has kept unit labour costs subdued.

Manufacturing ontput per head was 6.0 per cent higher in the three months to September than in the same period last year.

Jobless drop is sharpest for six years

By Philip Coggan, Economics Correspondent

The sharp fall in the unadjusted rate of claimant unemployment last month was the biggest monthly decline since October 1988, when the rules governing claims by 16-year-olds and 17-year-olds were altered.

According to the Department of Employment unadjusted unemployment, as a percentage of the workforce, fell from 9.2 per cent in September to 8.7 per cent in October. The decline of 125,344 to 2.45m was boosted by students getting jobs after the summer break and by October being a five-week month, exaggerating the rate of decline.

After seasonal adjustment the decline was reduced to 45,800, the second highest monthly fall in the recent recovery. Since the biggest decline also occurred in an October, this suggests that the seasonal adjustment process is not completely smoothing the fluctuations.

September's seasonally adjusted fall was revised to 31,600 from 28,000. In the six months to October the seasonally adjusted total declined by an average 27,500 a month. The Department of Employment estimates the trend is for a monthly fall of 20,000 to 25,000.

The seasonally adjusted unemployment total was 2.52m in October, or 8.9 per cent, its lowest level since December 1991. Unemployment fell in all regions and among both men and women. Since the peak in December 1992 unemployment has fallen by 455,100.

The stock of vacancies at Jobcentres increased by a seasonally adjusted 10,600 in October to 177,100, its highest level since 1990.

Long-term unemployment, defined as those out of work for more than a year, fell by 47,800 between July and October and dropped below 1m for the first time since October 1992.

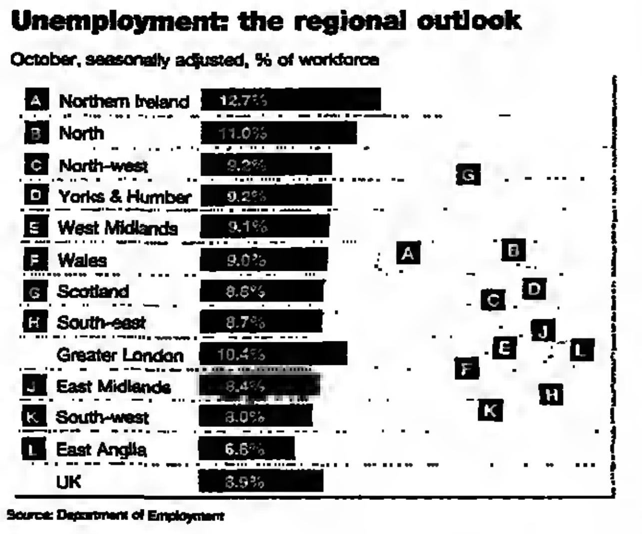
Mr Michael Portillo, employment secretary, described the fall in long-term unemployment as "a very welcome movement".

Mr John Edmonds, general secretary of the GMB general union, said the government was continuing to fail the long-term unemployed. He added: "Slight falls will not resolve the massive underlying problem."

Ms Harriet Harman, shadow employment secretary, said: "Official figures suggest that unemployment is still rising among the unemployed and that jobs are still being lost in the economy."

The fall in unemployment has yet to result in a pick-up in jobs in the manufacturing sector. Manufacturing employment fell by 4,000 between August and September and was up only 2,000 over the quarter.

Manufacturing employers seem to be asking their existing staff to work longer hours instead of taking on new workers. Overtime working jumped by 1m hours a week between August and September to reach 9.84m hours, its highest level since July last year. Short-time working fell to 0.15m hours in September, the lowest-ever recorded level.



City is criticised on 'green' reporting

By John Gapper, Banking Editor

City institutions have shown little interest in environmental reporting, Mr Ian Taylor, junior minister for trade and technology, said yesterday.

He told a seminar organised by the Advisory Committee on Business and the Environment that retailers had become nervous that any stigma associated with poor environmental performaoce by suppliers would attach to them. This was "feeding through the supply chain" in demands for better management.

Mr Martin Scicluna, a partner of accouotants Tonche Ross, said accounting standards were adequate for companies to start disclosing environmental costs and liabilities in balance sheets and profit and loss accounts.

He said there was likely to be increasing demand for accountants to provide independent verification of environmental reports, as his firm had done for Coats Viyella, the UK's largest textiles company.

Subdued demand eased pressure on interest rates

By Peter Norman, Economics Editor

Mr Kenneth Clarke, the chancellor, hinted that more subdued growth of consumer demand could delay further rises in interest rates at his late September monetary meeting with Mr Eddie George, the Bank of England governor.

The minutes of the September 26 meeting, published yesterday, confirmed that the chancellor and Mr George had agreed to leave interest rates unchanged for the time being.

Mr Clarke, while noting that the UK recovery remained strong, said there was little immediate prospect of inflationary pressure from the consumer side of the economy.

Mr Clarke said more subdued growth of consumer demand would allow exports and investment to grow faster and for longer before capacity constraints were hit.

He added that pay pressures also appeared to be under control.

The September 26 meeting was brought forward because of international meetings at the end of September and took place only two weeks after UK bank base rates were raised to 5.75 per cent from 5.25 per cent. There was, therefore, relatively little new information for the chancellor and governor to discuss.

Mr George said there was no question of wanting to tighten the policy stance further in October. He said it was possible, however, that the run of favourable shocks to inflation might be coming to an end.

Since Mr Clarke made his observations about consumer demand the Central Statistical Office has disclosed a relatively robust 3.7 per cent rise in retail sales volumes in the year to September and the Confederation of British Industry has reported a fall in retail sales in the year to October – the first since December 1992.

Official figures on retail sales in October will be released today and statistics of third qnarter consumar demand tomorrow.

NEWS: UK – THE GOVERNMENT'S LEGISLATIVE PROGRAMME

Encouraging economic figures provide some respite for Conservatives as plans are outlined for second half of parliament

Major makes Europe an issue of confidence

By Philip Stephens, Political Editor

Forget the Queen's Speech. Mr John Major's political fortunes over the next year will not *depend* on the agricultural tenancies bill or plans to abolish regional health authorities.

The British government, languishing still in the opinion polls, enmeshed in charges of sleaze and unable for more than brief periods to demonstrate grip or sense of purpose, has a bigger task. As it enters the second half of this parliament it must restore the reputation for competence which has so sorely eluded it since sterling's ignominious exit from the European Monetary System two years ago.

The strength and durability of the economic recovery, prospects for pre-election tax cuts, tranquillity or otherwise in the classrooms, and the future of the welfare state are the sort of things that preoccupy the electorate. If peace in Northern Ireland turns from a fragile promise into a reality, Mr Major's achievement could yet change the political climate.

We will hear no great debates about whether the bills which form the core of the legislative programme mark a victory for the cabinet's consolidators or for its radicals. Arguments about the government's lack of Thatcherite edge belong to the rarified atmosphere of Westminster, not to the real world.

But there is one piece of legislation that must be passed. And the capacity of the Conservative party to shoot itself in the head can never be discounted. The bill to implement the increased funding of the European Union agreed at the 1992 Edinburgh summit is threatening another convulsion on the Tory backbenches.

Mr Major had no choice other than to make it an issue of confidence in his government. After the agonies over the Maastricht treaty the cabinet is agreed that appeasement will never satisfy the anti-Europeans.

It is always possible, just possible, that there are enough nihilists among the irreconcilables to bring down the government. But the odds overwhelmingly are that the bill will be passed. Mr Kenneth Clarke, the chancellor, wants the key second reading debate to be held the day before his November 29 Budget.

The more rational Eurosceptics on the backbenches see little point in handing to Mr Tony Blair Britain's negotiating mandate at the far more important 1996 intergovernmental conference. Outspoken critics of Brussels among the younger generation of sceptics have anyway been unwilling in the past to match dark words with action.

The rest of the programme is not without substance. Gas deregulation will complete the unfinished business of the 1980s privatisation programme. Equalisation of the pensions age at 65 and tighter regulation of pension funds is relatively uncontroversial. The Job Seekers' Allowance may mark the beginning of a new, cross-party, consensus on the structure of benefits. No one will quarrel with the creation of a new environmental protection agency or with the principle, at least, behind the government's belated promise to do something to end discrimination against the disabled.

Like many in his administration, Mr Major is a prisoner of the idea that good government defines itself through permanent legislative revolution. Mrs Margaret Thatcher thought the same when she introduced the ill-fated poll tax.

As Mr Blair remarked during a competent if less than spectacular debut as party leader in a set piece Commons debate, the Conservative party is still undecided whether to praise or to bury the memory of Mr Major's predecessor.

As he enters the second half of the parliament, Mr Major must make that choice. All past precedents suggest it will be impossible for the government to recover its position before an election due at latest in mid-1997.

But no-one, least of all Mr Blair, is sure that the game is lost for Mr Major.

If the encouraging economic statistics can translate into a significant improvement in the polls, the government has a chance. If they do not then the Conservative party will be unable to escape the fate of its leader.

Some main pieces of proposed legislation included in yesterday's Queen's Speech are:

- **European Community (finance) bill** – the controversial plan to increase budget contributions to the European Union.
- **Gas bill** – to abolish the British Gas monopoly over domestic customers allowing other companies to compete to sell gas, under close regulation, to households.
- **Channel tunnel rail link bill** – paving the way for the construction of the 67-mile high speed link from London to the tunnel, involving compulsory purchase of land and partial widening of the A2 trunk road and M2 motorway in Kent.
- **Private international law bill** – covering aspects of polygamy in marriage, torts involving foreign interests and the payment of judgment debts in foreign currency.
- **Pensions bill** – to introduce a retirement age of 65 for both men and women by 2020, increasing equality in occupational pension schemes and tightening up the management of schemes after the Maxwell scandal.
- **Criminal appeal bill** – to set up an independent body to investigate alleged miscarriages of justice and refer appropriate cases back to the courts for review. Likely to be introduced later in the session in the hope of winning all-party backing.

MPs, led by prime minister John Major and Labour leader Tony Blair, proceed to the House of Lords to hear yesterday's Queen's Speech

Government 'out of touch and out of steam' says Labour leader

By Kevin Brown, Political Correspondent

Mr Tony Blair, leader of the opposition Labour party, yesterday scored a narrow victory in his first full-scale clash in the House of Commons with Mr John Major, the prime minister, since he became party leader in the summer.

In a lacklustre debate on the Queen's Speech, Mr Blair successfully fought off an ambush by backbench Conservative MPs who sought to undermine his first Commons speech as leader by repeatedly interrupting him.

The Tory tactics backfired as Mr Blair dealt with the interruptions in the style of a headmaster accepting and dismissing a series of cheeky questions from the less intelligent members of the fourth form.

Even the prime minister allowed himself a smile as Mr Blair joked that Mr Bob Dunn, a Tory backbencher who had admitted regularly ignoring the advice of experts, was unlucky not to have made it to the cabinet.

Mr Blair focussed his attack on the Conservative record on taxation and the economy, prompting irritable interventions from Mr Kenneth Clarke, chancellor, and Mr Norman Lamont, his predecessor.

He ridiculed Mr Major's decision to drop Post Office privatisation in the face of opposition from a handful of rebels, and derided his threat to call an election if the European contributions bill is defeated as an empty gesture.

Mr Blair said the Queen's Speech showed that the government was "out of touch and out of steam." The cabinet was "so riven by factions, buffeted by one day's headlines to the next, that it cannot address the interests of the country."

But, in a speech widely regarded as lacking inspiration, Mr Blair failed to tempt an intervention from the prime minister, or to deflect him from his prepared speech, which focussed largely on Northern Ireland and Europe.

Mr Major, unwisely tempted by the witty opening to Mr Blair's speech, attempted several jokes, all of which fell flat. But he was on surer ground with an attack on the opposition leader's claim to have transformed Labour.

Disparaging the "New Labour" tag developed by Mr Blair, the prime minister claimed that eight shadow cabinet members remained committed to unilateral nuclear disarmament, giving a fresh meaning to the phrase "brothers in arms."

Commons set to see battle over bills

By Kevin Brown and Ivor Owen

The government plans to confront its critics – both internal and external – over the next few weeks by giving parliamentary priority to its European finance and Jobseeker's Allowance bills.

Senior ministers said the two bills would be introduced quickly in the Commons, with a third controversial bill to remove a layer of administration from the National Health Service.

The European bill, which will increase UK contributions to the European Union, will provide the main battleground between the parties, not least because of the government's threat to call a general election if it is amended or defeated.

The Jobseeker's Allowance bill, which replaces unemployment benefit, will face tough opposition from the Labour party, which says that it will strip 90,000 people of benefits and force means testing on a further 150,000.

The prime minister forecast that inward investment would "continue to flood in" to Britain as he again underlined the importance of holding to the maintenance of a low level of inflation as a long-term objective.

He suggested the significance of the "vote of confidence by foreign investors in the British economy" had not been fully appreciated.

Mr Major said "For the first time we may be in a position where we have broken the inflation psychology which has damaged this country time and time again since the war".

The prime minister insisted that "meaty measures" the government intended to introduce would provide a further boost to the economy, including the bill authorising the construction and operation by the private sector of a high speed rail link between London and the Channel tunnel which was likely to create between 10,000 and 15,000 jobs.

TECHNOLOGY

Toyota moves on line

Toyota, the Japanese car maker, is tying up with a cable TV operator to conduct experiments in high-speed data transmission.

Toyota and Himawari Cable, which operates in the Nagoya area where Toyota is based, will start experiments this month in asynchronous transfer mode (ATM) high-speed data transmission using Himawari's optic fibre cable. Toyota owns almost 13 per cent of Himawari, which reaches 90 per cent of households in Toyota city.

ATM is a technology which enables data to be sent at about 26 times the speed of systems using conventional telephone lines by sending digital information in packets.

Speedier data transmission will allow Toyota to improve efficiency in communications between facilities, the company says. "We need to send huge amounts of information, such as vehicle designs," Toyota explains.

The comany, which is also a shareholder in IDO, the cellular phone maker, and in Teleway Japan, a long-distance carrier, hopes to expand the network to affiliated companies in the auto industry by the end of 1996.

If Toyota succeeds in linking its separate facilities with each other and with suppliers, the lead in efficiency the company already commands over many auto manufacturers is likely to widen even further.

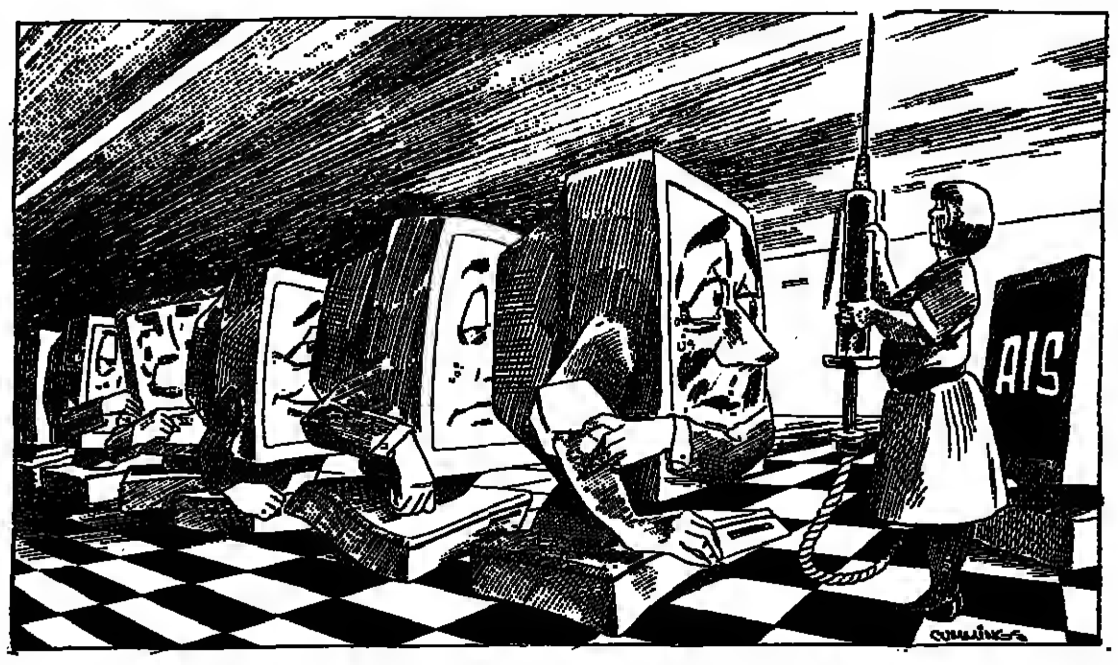
Toyota is one of the more forward-looking in its approach to advanced computer and telecommunications technologies among Japanese companies, which have generally been slow to adopt high technology in the office.

Japan's largest car company has also been quick to make use of computer on-line services, for example. It has built an on-line forum on the Prodigy computer network in the US through which it provides Toyota owners with information on everything from insurance to future models and accessories.

Michiyo Nakamoto

Electronic immunity

Tom Foremski looks at the similarities between computer viruses and their biological counterparts



The similarities between compnter viruses and human ones may be closer than the name alone suggests, according to computer scientists at IBM's Thomas J. Watson Research Centre.

IBM researchers have discovered similarities in the way computer viruses spread and the way human viruses jump from host to host. This has led them to develop anti-virus technology that continues the biological metaphor – using a model of the human immune system to develop a way of eutomatically trapping and eradicating computer viruses before they can damage the host personal computer and spread to other computers.

The IBM Automated Immune System is an electronic version of our human immune system and could provide a breakthrough in the fight against computer virus infections. There are at least 6,000 computer viruses and computer security experts say they are discovering as many as three new viruses a day.

A computer virus is a hidden program that can replicate itself, and sometimes causes widespread damage to data stored in the computer. While few of these rogue programs reach widespread distribution, computer viruses pose a daily threat to PC users.

"The Automated Immune System allows us to detect a virus without having any prior knowledge about it," says Jeffrey Kephart, manager of anti-virus technology at IBM's High Integrity Computing Laboratory at the Thomas J. Watson Research Centre. "Once the virus has been detected, the system automatically analyses it and removes it from any infected files."

This approach differs from the way most current anti-virus software operates. Anti-virus applications, such as VirusScan from McAfee Associates, are at their most effective against known viruses and must be updated regularly with the "signatures" of new viruses.

Kephart says the system is modelled on the way the human immune system protects us against viral infection. In the IBM approach, the anti-virus software uses a decoy program to attract a virus if one is present.

The software can detect an infection by noticing changes made by the virus in the decoy program. It will then isolate and analyse the virus, and erase it from any infected files it finds. In the human immune system, a cell called a macrophage searches for infecting organisms. When the macrophage finds a virus or bacteria, it makes and analysis and then alerts other immune cells to the specific infecting organism, triggering the production of antibodies that target specific infections.

The IBM system has an additional capability. It helps stop the spread of virus infections to other computers. This is essential in today's high-speed networks because a virus can quickly spread. The system sends out a message to neighbouring PCs that it has found an infection and instructs them to look for a specific virus. In this way, the path of a computer virus infection can be traced and contained.

The IBM Automated Immune System is in the prototype stage and will be introduced into IBM's commercial anti-virus software next year. While it appears to be an important step against infections, it will not eliminate computer viruses. "There are some sophisticated viruses being written," says Bill Arnold, an anti-virus specialist at IBM. "These viruses are written by people who know how we detect and analyse viruses. One such virus is the 1/2 virus which breaks itself into pieces to make itself more difficult to analyse."

Computer virus creators have developed what are called stealth and polymorphic viruses. A stealth virus hides inside a PC and makes itself invisible to anti-virus software. A polymorphic virus will change itself slightly every time it infects a PC or a file, making it difficult to analyse or create a "signature" that can be used to detect infections.

Phil Talsky, manager of product marketing at McAfee Associates, says it is risky to do nothing when a virus is detected, even if it does not appear to be causing problems. "The trouble is that you can never really know what the virus will do and you risk a much bigger problem at a later date," says Talsky.

Although there are increasing numbers of sophisticated computer viruses, PC users should not panic, says David Stang, computer virus expert and president of anti-virus software firm Norman Data Defence Systems. "The chance of being infected is very low," says Stang. "But if you do have an infection, it can be very expensive." Stang cites the case of a brokerage firm forced to shut down its PCs to clean out a virus infection and lost millions of dollars in business during the few hours the PCs were turned off.

Magali Grimany, information security analyst at Suntrust Bank, based in Atlanta, Georgia, says that a virus infection closed down one of the bank's servers affecting dozens of PC users for most of the day. Suntrust now uses McAfee's VirusScan package to protect more than 8,000 PCs.

McAfee and other firms such as Symantec are trying to make the updating process easier with new software that will automatically update. Suntrust and other large organisations also prohibit staff from bringing in diskettes from home or inserting diskettes into their PCs that have not been scanned for viruses.

Creating a computer virus is not that difficult and is not illegal, says Stang, which is why there are so many. "You can buy a CD-Rom disk containing hundreds of viruses and you can down-load software for creating viruses from computer bulletin boards," he points out.

Kephart is not the only one to note the analogy between computer viruses and their biological counterparts. The British physicist Stephen Hawking gave the keynote speech at a computer show earlier this year. He found it ironic that the only form of "life" we have created so far is purely destructive.

How the Japanese measure up

Emiko Terazono looks at a new database of body sizes

A band of British MPs visiting Japanese schools recently were surprised that the children's body frames were far larger than they had expected. "There were a few as big as me," said one after a day at a school in central Tokyo.

Japanese children are becoming generally taller and bigger than previous generations. Changes to the normal diet, now containing more meat and dairy products rather than fish and vegetables, and a more westernised lifestyle – using chairs rather than sitting on tatami-matted floors, for instance – are reckoned to have contributed to the modern Japanese physique.

Such changes have also started to affect industrial manufacturers. Calls from companies for more accurate data on the growing sizes of the Japanese have prompted the government to compile statistics in order to capture the changes. A comprehensive survey of physical sizes was initiated at the start of last year for the first time since 1978.

After two years of gathering data, the Research Institute of Human Engineering for Quality Life (HLQ), an organisation affiliated to the Ministry of International Trade and Industry (Miti), started marketing its database last year.

The institute gathered data from 35,000 people between the ages of seven and 70. A measuring machine equipped with laser beams captured three-dimensional images of the bodies, with measurements provided for every three millimeters.

The institute has received more than 400 queries and has now sold 95 database packages. The statistics are expected to help manufacturers save on product sizes and reduce risk of accumulating unwanted stock. Clothing makers, consumer electronics and automobile companies are among the purchasers.

The washing machine division of Matsushita Electronic Industries, the leading consumer electronics company, has used the institute's data on arm length, while Nissan Motor says it bought the data to determine seat size and the amount of room between the head and the car roof.

Toto, the lavatory maker, says the data confirmed that Japanese toilets did not need to be altered as bottom sizes were not changing drastically.

Goldwin, a sportswear maker, added a new size for shorter, plumper middle-aged women on to its mountain climbing gear line after buying the data, while a spectacles manufacturer was surprised that head sizes of primary school children were getting larger than expected, and increased the number of spectacle sizes for children.

Yoji Fukuda, head of technology development at HLQ, says the institute spent Y500m (£3m) on the project. The database provides data of 178 body parts, from the thickness of the hand to the distance between the eyes. According to the data, females in their 40s were 2.7cm taller than 15 years ago; males in the same age group were 3.5cm higher. Women in their 20s were 2.2cm taller; bust and waist measurements were larger by 1cm.

The statistics also show that the Japanese foot has become narrower, but indicate that Japanese still have shorter, lower legs and upper arms compared with Caucasians.

Miti is currently reviewing the Japan Industrial Standards – national size and format standards for industrial products – based on the data. It is currently comparing the differences with the standard sizes set in 1980 and is expected to revise the national standards in 1996.

Fees for the database, available on floppy discs or paper, depend on the menu required. A basic package covering 1,000 people costs around Y180,000, while small and medium-sized companies are eligible for discounts. A ski-boot maker, for instance, buying foot measurements of 10 categories could pay between Y380,000 and Y1.3m.

FINANCIAL TIMES SURVEY

Healthcare: A burden and a blessing: Page II

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Thursday November 17 1994

The state may have started to take its prosperity for granted, says **Tony Jackson**. In which case, the downturn will have had a salutary effect

Strengths reassert themselves

It has been a tough six years for the state of Massachusetts. Between 1988 and 1992, it suffered more job losses in proportion to its size than any US state since the great depression.

For the home of the so-called high-tech Massachusetts Miracle – and the seat of Harvard and the Massachusetts Institute of Technology (MIT) – the blow to morale was profound. Now, however, the state's defenders claim that its native strengths are reasserting themselves: Massachusetts, they say, is climbing back.

To appreciate their case, it helps to recall what went wrong in the first place. Mr Wayne Ayers, chief economist of the Bank of Boston, says: "The years of the so-called Massachusetts Miracle [in the 1980s] were an aberration. It was s confluence of one-off factors."

Chief of those was the huild-np of defence spending under President Ronald Reagan. Although Massachusetts' technological base is impressive in breadth as well as depth, by the start of the 1980s the defence industry had come to assume an unhealthy dominance. For dacades, MIT's research activities were skewed by government defence funding. Raytheon, the defence giant which makes the Patriot missile, is the state's biggest private-sector employer. When defence spending passed its peak in 1987, trouble was inevitable.

It did not help that another integral part of the so-called miracle, Massachusett's computer indnstry, was in the wrong part of the market. Its biggest companies, Digital Equipment and Wang, were concentrating on the mini-computer just as the personal computer revolution was getting under way. While the state was, and remains, a seedbed for small-company innovation in information technology, by the end of the 1980s it was better known fnr its stumbling giants.

The prosperous years had one further malign effect: in a small, compact state like Massachnsetts, prnperty prices went through the roof. By 1987 all the warning signs were there: the proportion of the Massachusetts workforce employed in construction, for instance, was among the highest in the country. The result, in 1989, was a property collapse.

All this led to s period of serious introspection. Professor Michael Porter, of the Harvard Business School, says: "There were grave doubts about the future of the Massachusetts economy. We had the lowest credit rating of any state. It was felt there was something deeply wrong in a structural sense, analogous to the loss of the textile industry in the past."

A recent document* bearing the imprint of Massachusetts Governor William Weld – in which Professor Porter also had a hand – develops the point. In the late 18th century, it observes, Massachusetts enjoyed a burst of prosperity through Boston's dominance of American shipping; then, in the early 19th century, it was nverhauled by the Port of New York. Again, it gained a commanding lead in a wide range of manufacturing in the late 19th century, only to lose its competitive edge to cheap southern labour by the 1920s.

In that context, the loss of momentum in the late 1980s could be seen as deeply serious. The high-tech boom, which had its origins in the start-up companies around Boston's Rnute 128, represented a third wsve of prosperity for Massachusetts. In other wnrds, the normal pattern of recession and recovery may not apply. "A more relevant consideration," says the document, "is whether tha high-tech boom has ended in Massachusetts, or merely stumbled badly."

In Prof Porter's own view, tbe latter is true. "What is unique about this state is that it's a remarkable engine for new business creation. New companies emerge with enormous frequency, not just in new industries hut in textiles and apparels. In fact, this is an economy with enormous strength which has been weighed down by public policy." This is an important point for advocates of the Massachusetts economy. In effect, they say, the state started to take its prosperity for granted. The downturn has thus had s salutary effect, especially in prompting its various constituencies – business, government, the universities – to co-ordinate a 1990s-style industrial policy.

"This state is a very interesting story which gets repeated around the world," Prof Porter says. "It starts from strength: we inherited Harvard and MIT and a pool of capital and financial institutions, and when the high-tech revolution started in the late 1960s and early 1970s, this state was in the right position. But as wealth was created, forces were triggered which started to erode that environment: regulation, taxes, anti-business sentiment."

However, he argues, Massachusetts was paradoxically lucky in being very early into recession.

"Texas came first with the downturn in oil, then us with real estate. A number nf dominoes then started falling into place. A lot of the state's political leaders understood that we couldn't deal with our social problems if we weren't making money. So we got a pro-business governor and state legislature; and since this is a small state, we were able to make big headway in a relatively short time." Much of this has invnlved the state government's working closely with business leaders. Prof Porter, who chairs a body called the Governor's Council on Economic Growth, says: "We've gone one by one through industry clusters, saying 'Let's find out what government is doing to make life difficult, and let's change it.'"

At the same time, Massachusetts has benefited from cyclical recovery in the US economy, and particularly from a prolonged period of low interest rates. The combined result, says Mr Ayers, of the Bank of Boston, is that the economy is now in better shape than anyone would have thought possible a couple of years ago.

In the period 1988-92, Massachusetts lost 600,000 jobs. "Two years ago, people were saying it would take until the turn of the century to get those jobs back. But just over a third of them have come back already. In percentage terms, Massachusetts is now slightly better than average: unemployment in the country is 6 per cent, and we're below that."

Partly, he admits, that is because many people lost heart in the depths of the downturn and migrated out of the state. "But still, nobody would have believed twn years ago that we'd be close to the national average, let alone belnw it."

There is still one cloud on the horizon. The healthcare industry employs even more people in the state than the defence industry. Through the late 1980s, this was one sector which remained rohust. Now, healthcare spending is under fire throughout the US.

Mr Ayers is fairly sanguine about this. "Healthcare won't be the prop that it was, hut it shouldn't be a drag either." A recent study from the Federal Reserve Bank of Boston partly bears him out: granted that the healthcare industry will have to cut costs, it says that represents a saving for local employees and individuals.

Above all, Mr Ayers agrees with Prof Porter on the importance of small companies in the Massachusetts economy. "The concentration of higher education means this place is still an incubator of small high-tech firms. Many of these were growing throughout the downturn, though not by enough to offset the big hits in defence and computers."

Nevertheless, the revival of Massachusetts as a manufacturing centre seems to have been relatively short-lived. "Virtually all the job growth we've seen here has been in services," Mr Ayers says. "These jobs are not flipping hamburgers or taking in each other's laundry. But we have continued to lose jobs in manufacturing since a decade ago."

There are signs thet this may be bottoming out, he says. "But this is still a high-cost place to manufacture. And software and biotech companies tend to be small, cerebral outfits which will never be big manufacturing employers in the way the mini-computer industry was."

Perhaps, though, the last word should go to one of the academics whn provide the backbone for Massachusetts' high-tech industry. Professor Merton Flemings, head of materials science and engineering at MIT, says simply: "Whatever effect the drop in the economy had is loug gone in my memory. We see great strength here, and growing strength."

**Choosing To Compete: a state-wide strategy for job creation and economic growth (Executive Office of Economic Affairs, Massachusetts).*

Boston has benefited from cyclical recovery in the US economy, and particularly from a prolonged period of low interest rates Picture: Kinda Caraf

Senator Edward Kennedy with his wife Victoria after he was re-elected to a sixth term in the senate Picture: Reuter

Victoria Griffith examines Massachusetts politics

Affair with Democratic party may be cooling

Massachusetts voters seemed to have a split political personality during the mid-term elections last week. While they delivered Edward Kennedy, one of the last liberal hold-outs in the US, back to the Senate, they also handed Republican Governor William Weld a landslide victory.

With 71 per cent of Massachusetts voters supporting Weld, pundits began to ask whether the political tide was changing in the state.

Massachusetts has long been known as the Democratic Party's paradise. Registered Democrats outnumber registered Republicans in the state by three to one. The state handed Bill Clinton one of his biggest victories in the election two years ago, and residents still give the president his strongest approval ratings in the nation. "Massachusetts Liberals" has been a label residents of the state have carried, sometimes proudly, for decades.

Nearly all the famous politicians Massachusetts has produced over the years have been Democrats. The Kennedys built their political legend from a Boston base, and Tip O'Neill, former speaker of the House of Representatives, hailed from Massachusetts.

The Massachusetts Democratic party has also produced some famous failed contenders. Mike Dukakis, Bush's ill-fated opponent in 1988, was a former governor of the state; and Paul Tsongas, whom Clinton defeated for the Democratic nomination two years ago, was a Massachusetts senator.

But there are signs that the state's love affair with the Democratic party is cooling. Edward Kennedy won a comfortable victory over challenger Mitt Romney, but only after facing the toughest election battle of his 32-year senate career. Just weeks before the election, polls showed the two candidates in a dead-heat.

"The time when people in Massachusetts roll over and play dead for the Democrats is over," said Mr Weld. The Republican governor's popularity is one reason the GOP has been gaining ground in the state. With his pro-choice stance and strong support for women and gay rights, Mr Weld has helped to forge a new brand of Republicanism which has made the party more acceptable in socially liberal Massachusetts. Still, political analysts accustomed to the state's left-wing image were shocked when the governor succeeded in pushing privatisation and hefty spending cuts through the overwhelmingly Democratic state congress over the past four years.

Governor William Weld was handed a landslide victory

And the private sector was relieved when it saw Massachusetts taking a more aggressively pro-business stance, encouraging companies to stay in the state by cutting taxes and helping them through the permitting bureaucracy. Fortune magazine now rates Boston one of the best cities in the country to do business.

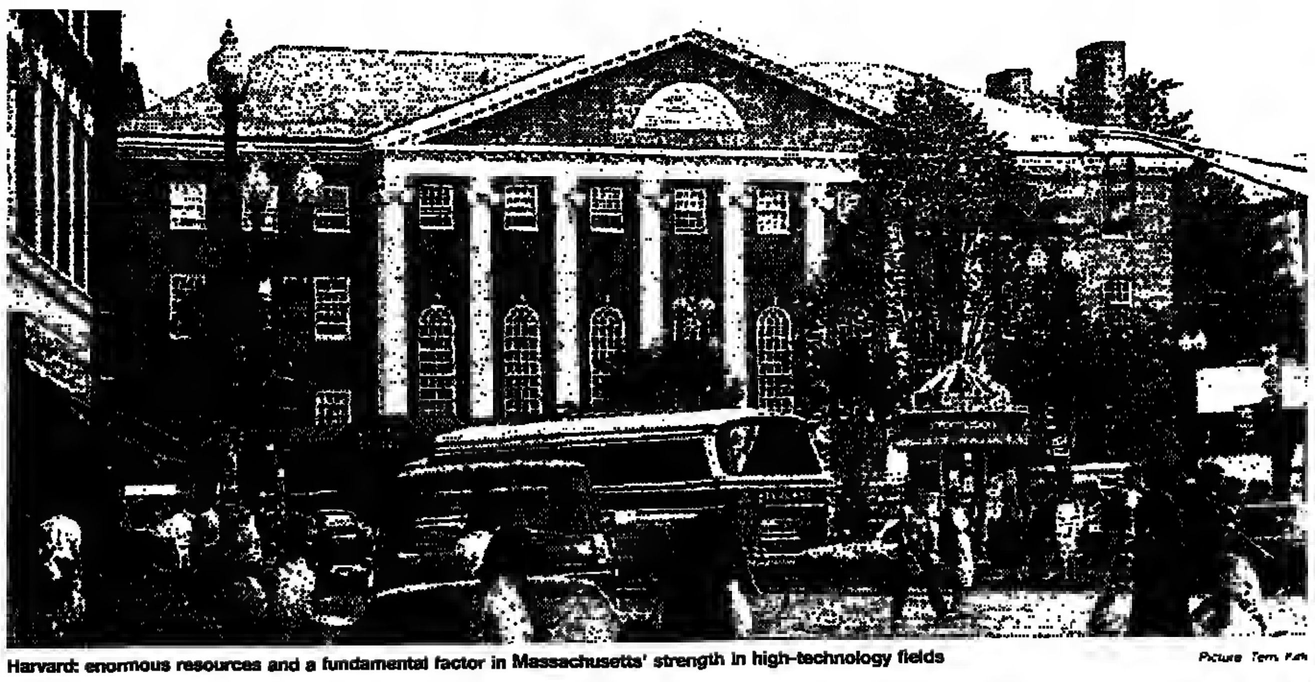
The Republicans have benefited from demographic changes in the state as well. The Massachusetts economy was once based on manufacturing, and unionised factory workers showed a strong preference for Democratic candidates.

But the state now relies on high technology and service industries such as fund management and biotechnology, whose employees tend to be wealthier and more concerned about high taxes and government spending. Because urban dwellers are much more likely to vote Democratic than suburbanites, an exodus of residents from Massachusetts' cities to suburbia has also helped the Republicans.

Even traditional Democratic candidates had to make concessions to these shifts in their campaigns this year. Mark Roosevelt presented himself as a fiscal conservative, and Kennedy began to sound like a Republican when he talked about getting tough on crime, rhetoric that goes down well with suburban voters.

In spite of the changes, Massachusetts is far from becoming a Republican stronghold. In the end, Kennedy won the election by 17 points. Joe Kennedy, Edward's nephew, ran unopposed for his own Democratic seat in the US House of Representatives, and the state's Washington delegation is still overwhelmingly Democratic. The mayorship of the city of Boston, now in the hands of Thomas Menino, is also considered safely in Democratic hands.

Yet the days when Democratic candidates were almost assured of victory against Republican opponents are now over, and the state has taken a definite turn to the right. Massachusetts is still a receptive place for Democrats, but it is no longer the Democratic heaven it once was.



Harvard: enormous resources and a fundamental factor in Massachusetts' strength in high-technology fields

TECHNOLOGY

Image has taken a battering

The image of Massachusetts as a hotbed of high technology has taken something of a battering in recent years, writes Tony Jackson.

In the 1980s, the Route 128 corridor around Boston was trumpeted as the east coast's answer to Silicon Valley. Now, say the critics, look at the contrast. Silicon Valley has wonderful high-tech companies such as Intel and Hewlett-Packard: Massachusetts has disasters such as Digital Equipment and Wang.

In fact, the comparison is skewed by one simple fact. Wang and Digital were among a handful of big, well-established Massachusetts companies which concentrated on mini-computers, which turned out to be a blind alley in the era of the networked personal computer.

Forget the headlines, say the state's defenders. A pool of highly talented workers, backed by a well-developed venture capital industry and the enormous resources of the Massachusetts Institute of Technology (MIT) and Harvard, make Massachusetts as much a hotbed as ever it was.

Professor Michael Porter of the Harvard Business School goes further. "I think we have now eclipsed Silicon Valley," he says.

"The latest Inc. 500 report [on the 500 fastest growing private companies in America] showed that Massachusetts had 33 companies on the list, and California had 71. California is around 14 per cent of the nation's economy and Massachusetts is 2.5 per cent. Do your sums, and Massachusetts is much the more exciting."

Part of this, he says, has to do with developments in technology. "California hit on the PC and the workstation while we had the mini-computer," he says.

"So we had a pause while they charged ahead. But the wave of the future now is networking, and we have company after company in the telecoms networking business. And while the west coast may have the consumer software, we have the sophisticated business software. The Massachusetts cluster is better positioned to ride the wave in the next phase."

In addition, he argues, Massachusetts now enjoys a much better relationship between government and business. "One reason this area was down in the mouth in the late 1980s was the anti-business attitude: high taxes, and incredibly liberal regulatory plans."

Under Governor William Weld, this has changed. "California has replaced us as the anti-business state. It was so prosperous that people got to feel that any amount of social activism could be afforded. It will take longer to turn California around than it did Massachusetts, because it's such a big state."

Another fundamental reason advanced for Massachusetts' strength in high-tech is its universities, in particular MIT. The links here are all-pervasive and date back more than a century.

Professor Merton Flemings, head of the department of materials science and engineering, chairs a task force on links between MIT and industry. "From its earliest days, MIT had an intimate association with industry in Massachusetts and New England," he says. "Alexander Graham Bell spent time studying at MIT, and the telephone was invented in the Boston area."

The defence giant Raytheon was founded by MIT graduates just before the war, Digital Equipment just after.

EG&G, a local specialist in nuclear weapons and power plants with sales of $2.7bn, was founded by an MIT professor and two of his students.

The main areas of commercial promise, in Professor Flemings' view, are information technology, materials science and engineering, manufacturing technology in general and healthcare. "Information technology remains a very strong area," he says. "In the development of small companies, we may even lead in this field."

And then, of course, there is biotechnology. In Massachusetts as elsewhere, this has a poor image at present.

A string of biotech companies, most recently Biogen, of Cambridge, Mass., has wrought havoc in the stock market by revealing that some of their much-hyped new pharmaceutical products have turned out to be duds.

Professor Flemings takes the long view. "The biotech industry here remains strong, and new companies continue to be formed. The stock market may have taken a bath, but I think we'll see continuing and growing strength in the Massachusetts region."

This is warmly seconded by Mr Henri Termeer, head of Genzyme, the third-biggest US biotech company, also based in Cambridge.

New England, he points out, has the second-largest concentration of biotech companies in the US, after the Bay area around San Francisco. Massachusetts, he says, has some 140 biotech companies – "around the same number as in the whole of western Europe."

In the industry's last big bout of fund-raising, in 1991 and the first quarter of 1992, Massachusetts companies raised 20 per cent of the $6bn total. Genzyme's own commitment to the area seems beyond dispute. In round terms, the company has 1,000 employees in Massachusetts, 500 elsewhere in the US and 400 abroad. It has also just spent $100m on a new plant next door to the Harvard Business School on the Charles river.

When considering where to put the plant, Mr Termeer says, he also looked closely at a site in North Carolina. "At one point I was reported [in a local Boston paper] as saying we were about to choose between the two. The governor was in my office the next day, asking what he could do to help."

The decision in favour of Massachusetts, he claims, was based less on financial incentives than on the state's determination to make the company feel welcome and to smooth the way to the early commissioning of the plant.

In fact, he says, Massachusetts is not a friendly environment for a manufacturer in his industry: labour costs are high, regulations are burdensome and there is no tradition of pharmaceutical manufacture as there is in North Carolina or New Jersey. However, he says, "I gambled on the notion that the goodwill I saw, and the tremendous technological backbone of Harvard and MIT, would allow the beginning of a manufacturing cluster in Harvard."

Whether this will work remains to be seen. Meanwhile, he argues, Massachusetts has a further important advantage in his industry: the availability of committed and knowledgeable investors.

On the one hand, he says, there are a large number of venture capital funds in the area, always on the look-out for opportunities. In addition, there are the big fund management houses.

"They have healthcare analysts who become much more familiar with what's happening here because of their proximity. As a result, Massachusetts companies have a disproportionate amount of local funding. Fidelity is a big investor in Genzyme: we have done eight financings, and Fidelity has taken around 5-10 per cent of the initial offering in well over half of them."

Frank McGurty examines the healthcare sector

A burden and a blessing

By all accounts, Massachusetts has one of the finest healthcare systems in the US, indeed the world. Its 150 hospitals are renowned for their techoical excellence. Harvard leads a list of prestigious medical schools which assure the state has a pool of highly skilled doctors.

A dense concentration of research laboratories gives patients access to the latest innovations in treatment and technology.

Yet this seemingly enviable position is as much a burdeo for the commonwealth as a blessing. As the healthcare industry struggles to adapt to mounting pressures to control medical inflation, it has become evident that the elite nature of the system is itself at least partly to blame for the high costs.

For hospitals and clinics around the state, the tensioo between survival and maintaining the highest quality care has become painfully apparent over the past two years.

Big purchasers of healthcare – including employers, insurers and the government – are forcing providers to become more efficient. A sweepiog restructuring of the industry, which employs about 10.5 per cent of the state's workforce, is all but inevitable.

The consequences of this shake-out will extend well beyond the sector, with hospital closures and consolidations likely to impede the economy in its tentative recovery from recession. Estimates of the oumber of healthcare job losses range up to 30,000, with most of them pruned from hospital staffs.

That represeots a stunning reversal for the industry, which was one of the few sources of new employmeot in Massachusetts between 1988 and 1993, when the state's economy suffered a net loss of 400,000 jobs.

The market forces driving the industry to restructure have gathered momentum independently of the sputtering efforts in Congress to enact healthcare reform legislation.

In the commonwealth, the consolidation is well under way.

"In Massachusetts, healthcare reform is now an auto-catalytic process," says Mr Ron Hollander, vice-president of the Massachusetts Hospital Association. "The faster it goes, the faster it will go."

The most important development so far was the merger of Massachusetts General and Brigham & Women's, two of most prestigious hospitals in the state.

The goal of the affiliation, announced last March, is to reduce their combined operating budgets by at least 20 per cent over three years, initially through administrative and supply savings, and later by eliminating duplicative medical services.

Their union carries symbolic and practical implications for the state's entire healthcare delivery system. It has already triggered a flurry of new alliances between providers seeking to assure themselves of a big eoough piece of a shrinking pie to survive into the next century.

"If hospitals with the reputation, clinical strength and financial strength of Mass General and Brigham & Women's see the need to combine forces, what institutioo can believe it can go it alone?" asks Mr Hollander.

Most of the restructuring activity is aimed at creating efficieocies through "downsizing" and outright closures of hospitals and other facilities.

In mid-sized cities such as Worcester and New Bedford, hospitals have either banded together into two or three competing groups in each market, or are discussing such a move.

Some big city hospitals are strikiog deals to divide up the available business. In June, Deaconess Hospital and New England Baptist forged a pact under which the former would focus on adult tertiary medicine and surgery, while the latter would concentrate on muscular-skeletal disorders.

Meanwhile, new affiliations between different types of providers – such as teaching hospitals, community hospitals and physician groups – are being constructed, especially in and around the state capital. Such hierarchal networks are intended to ensure that patients are treated in the most appropriate – and cost-efficient – setting.

Carney Hospital, to name just one, is negotiating with the fledgling Mass General-Brigham organisation. An affiliation with the 289-bed community hospital, serving neighbourhoods south of downtown Boston, could give the partners access to a sizeable base of new patients for their specialised units. For Carney, which has lost about 8 per cent of its in-hospital volume in the past three years, the deal may represent a financial lifeline.

"The process is oot just about cutting a housekeeper here or clerk there," says Mr Hollander. "It's about fundamentally rethinking what we do in order to devise more efficient and effective ways of delivering care."

Analysts point out that the commonwealth spends more per person for healthcare than any other state. Average payments for services and prescriptions are about 20 per cent higher than the US average, according to the Families USA Foundation, an advocacy group.

The reasons are not entirely clear, but the evidence suggests that the state has too much of several good things. High personal income and generous beoefit packages from Massachusetts employers seem to play a role. More importantly perhaps, a receot study conducted by a group of industry leaders and healthcare professionals suggests the state simply has too many doctors and hospitals.

That would not appear to be a problem. However, in apparent defiance of the law of supply and demand, "healthcare spending has been observed to increase with the size of a state's healthcare infrastructure", the group says in its report, released last spring.

The anomaly is explained by the emphasis on in-hospital treatment which results from the sheer number of providers, particularly expensive urban medical centres and teaching hospitals, such as Mass General and Brigham & Women's.

"While Massachusetts teaching hospitals are a vital resource, contributing to the state's prestigious reputation... care in teaching settings is known to be more costly," according to the study, conducted for the Governor's Council on Economic Growth and Technology.

Ironically, the pressure to control healthcare inflation arguably is now more intense in Massachusetts than anywhere else. This is largely because the state has a greater proportion of its population – about 40 per cent – enrolled in so-called health maintenance organisations (HMOs).

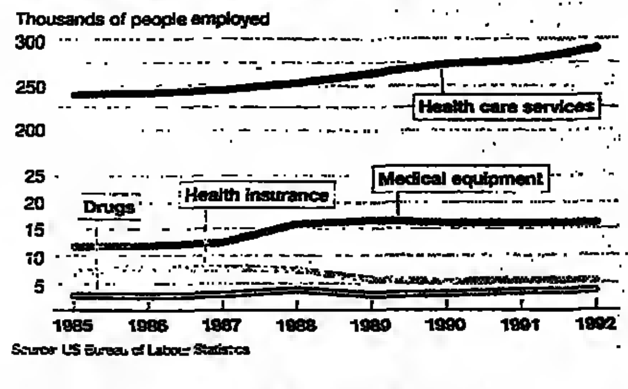
In contrast to traditional indemnity insurers, which pay a perceotage of their policyholders' healthcare fees on a service-by-service basis, HMOs offer subscribers a full range of services for a fixed price. They are forcing doctors and hospitals under contract with them to keep expensive services, such as hospital admissions, to a bare minimum.

If anything, their clout to bargain for lower rates will probably increase, as HMOs begin a consolidation of their own. Harvard Community Health Plan, the commonwealth's biggest HMO, is awaiting regulatory approval for its agreed merger with Matthew Thorton, a New Hampshire-based group, and Pilgrim Health Care of Massachusetts. The combined organisation would have about 1m members in four New England states.

In the face of such pressure, and the development of technology that facilitates out-patient care, hospitals are finding themselves with too many empty beds. Industry observers estimate that the number of patient-days in hospital will shrink by 30 to 50 per cent from the peak years in the mid-1980s. That precludes a drastic reduction in the number of available beds, and a subsequent cut in hospital staff throughout the state.

In the end, employers who now must foot the bill for the country's most expensive healthcare system are likely to benefit. The big losers, at least temporarily, are sure to be the thousands who will lose their jobs.

Health care industry employment



Source: US Bureau of Labour Statistics

Tony Jackson on defence

Budget cuts put 10,000 out of work

Patriot missiles: at the start of this year Raytheon had four missile plants in the state: it now has one Picture: AP

The Massachusetts ecooomy has relied heavily oo defence spending for 50 years, and is oow paying the price. The starkest illustration comes from Raytheon, maker of the Patriot missile and the state's biggest private-sector employer.

Sioce 1990, the federal defence procuremeot budget has halved. In the same period Raytheon has cut its Massachusetts workforce by a third, or 10,000 people. At the start of this year it had four missile plants in the state: it now has one. According to Mr Dennis Picard, Raytheon's chairman: "Our employmeot will stabilise wheo the defence budget does."

Like so much else in the Massachusetts ecooomy, the defence industry is intimately connected with the state's universities. Raytheon was born out of the Massachusetts Institute of Technology: one of the company's founders in 1922, Vannevar Bush, later became MIT's dean of engineering.

Professor Merton Flemings, the present head of MIT's departmeot of materials science and engineering, takes up the story. "During World War Two, MIT and its research were turned entirely to the war effort. MIT was central to the atom bomb and the developmeot of radar. The inertial guidance system for ballistic missiles was developed by faculty members here.

"From then until this year, there was a partnership between MIT and the federal government. Their largesse has allowed us buildings and equipment, and we have contributed especially to national security."

Much of the government's spending has been concentrated on the Lincoln Laboratory, a defeoce-centred establishment controlled by the government but operated by MIT. On top of that comes MIT's own research budget, oow running at $360m a year. A large part of that, says Professor Flemings, has historically been defence-related. "That's going down rapidly oow. The so-called partnership with governmeot over the past 50 years is changing, and should do. The national needs are changing, and MIT's as well."

This raises the central question of how far defence-related research and manufacture can be cooverted to civilian use. In general terms, Professor Flemings is oot sanguine. "In the period to around 1975, I think the research sponsored by the Department of Defence was a significant contributor to the industrial sector. It produced some very important informatioo technologies and new materials.

"After that, the technological advances needed for military systems moved further and further from things of commercial value and significance. There was more and more emphasis on performance regardless of cost. It's been very difficult to translate much of that to the commercial sector, where the emphasis is on high volume and low cost."

Mr Picard of Raytheon agrees with much of this. Cost is obviously a problem, he says, and oeither defence products nor defence plants can readily be switched to commercial use. "There is no commercial use for a guided missile or a warhead, and we build a lot of missiles."

As for converting plants, "I have a refrigeration plant in Iowa. Suppose I tried to move it to ooe of our plants here. Besides the fact that the politicians would object, trying to build that kind of product in a missile plant doesn't work. The workforce isn't trained for it, and the rules are different."

He is more optimistic about cooversion to civil use oo other grounds. Granted, the product may be uncommercial. "That's not to say you can't use the technology, or the concept, or the systems engineering. Radar is a good example. In a military context, you work to very high specifications and expense, and put in special features to stop jamming and so forth. But it's not too hard to commercialise the componeots: you just don't test them to the same levels. As for the special counter-measures, you just take them out."

He cites the high-tech electronic medium of gallium arsenide as another example. "We developed that for monolithic integrated circuits used io ground-based radar to detect things like Scud missiles. Now, you can still grow chips and circuits on gallium arsenide, but you do it much more efficiently by sample testing at the end of the line rather than testing individually".

Nevertheless, he remains gloomy about defence employment overall. "I'd love to be able to say to our people that we'll stabilise tomorrow. The problem is that the defence budget is coming down as a step function, otherwise known as a cliff. We have to hope that it will turn into a slope. It would be absolutely wonderful to build our defence business back up, and re-employ those skilled and talented people we've laid off. But I don't think it's going to happen."

Despite all that, Raytheoo is an encouraging symbol of Massachusetts resilience. It remains an immensely stroog company, with good cash flow and a strong balance sheet. Year by year, its profits have increased, and its latest quarter was an all-time record. This results partly from brutal cost-saving, partly from a heroic and singularly successful effort to diversify.

In 1990, wheo the cuts began to bite, defence accounted for 53 per cent of Raytheon's turnover. The figure this year will be around 35 per ceot. Part of this is due to plungiog defence revenues, but the company has also been active in finding business elsewhere.

Last year, it bought the corporate jet business of British Aerospace, causiog a local commotion wheo it shut down UK production.

More recently, it paid $172m for Xyplex, a US manufacturer of products linking desk-top computers.

In a classic instance of turning swords into ploughshares, it has just landed a hotly-contested $1bn-plus contract to supply environmental monitoring for the Amazon basin.

From a Massachusetts viewpoint, the big remaining questioo is whether Raytheon will follow the route of other US defence giants such as Lockheed and Martin Marietta, and combine forces with a rival to cut costs and reduce jobs further. Mr Picard's answer is encouraging.

"I've got a five-year programme which is on plan, and a very strong company. I do have a problem with the order book. If we could acquire a defence company which wouldn't dilute earnings, had synergy and would help protect jobs, then we'd do it. But I'm not interested in buying lay-offs. We've done 10,000 already, and we're getting to some very talented people. You have an obligation to the stockholders, but also to our people."

Frank McGurty on tourism and business travel

Enjoying one of its best years

In tourism and business travel, Massachusetts is a state which makes a virtue out of its modest proportions and understated charms. It has no choice.

On their initial trip to the US, few foreigners are drawn to the cobble-stone streets of Boston's Beacon Hill or to historic Plymouth rock, where the Puritans landed in 1620. The first time out, only the most independent spirits venture north to Walden Pond or west to the autumnal splendor of the Berkshire mountains.

Instead, they gravitate to the bright lights of New York, the glitz of Hollywood or the sunshine and spectacle of Florida.

"It's very difficult to compete with Mickey Mouse," says Mr Fred Clifford, European marketing manager at the state's Office of Travel and Tourism, referring to the phenomenal appeal of Disney World in Orlando.

Likewise, convention planners most often turn to places such as Chicago or New York when booking the kind of events which attract tens of thousands of visitors.

Compact Boston – one of the few American cities which is best enjoyed on foot – simply lacks sufficient size to accommodate the biggest shows. The Hynes convention centre, its main venue, has only half the floor space of the grand exhibition hall recently opened in Philadelphia.

Yet despite these handicaps – if indeed they can be characterised as such – tourism and business travel are powerful economic engines in Massachusetts, generating an estimated $12.5bn in business and $200m in state and local taxes a year. In Boston alone, hotels, restaurants and hospitality businesses employ more than 10 per cent of the workforce.

The travel industry is now enjoying one of its best years since 1986, when the regional economy was near the peak of an unsustainable boom.

The growth is not nearly as explosive as it had been a decade ago, but the robust trend is encouraging for a state that is still shaking off the lingering effects of a severe recession.

By the end of 1994, the Greater Boston Visitors and Convention Bureau estimates that nearly 10m people will have visited the city, up 16 per cent from the 1991 trough.

The extra business is especially welcome during a period when some sectors of the city's economy – particularly health-care – are just beginning to undergo a painful contraction.

There is evidence that the state is becoming a destination of choice for more foreign travellers. An informal survey of London tour operators conducted by the state shows sales so far this year are 10 to 25 per cent ahead of 1993. The number of German airline passengers visiting Massachusetts last year jumped 54 per cent, according to the US Travel Data Centre, which compiles tourism figures for the federal government.

What explains the state's growing appeal? The price is right, for one thing. The weak dollar has made travel to the US much cheaper for both Europeans and Japanese. At the same time, fewer Americans can afford to book holidays abroad. Instead, they are planning shorter vacations closer to home, a trend which has benefited Massachusetts – with its wealth of quiet, family attractions – more than most states.

On the symbolic level, at least, that orientation was underscored by the decision of America's "first family" – the Clintons – to spend their summer holidays on Martha's Vineyard, the exclusive island resort off Cape Cod. Even though accommodations there are booked solidly, year-in and year-out, the publicity was priceless for the state's tourism industry as a whole.

But Massachusetts has more going for it than the vagaries of macroeconomics and a brush with celebrity.

The state has stepped up its overseas marketing programmes in an effort to attract the growing body of Europeans who have visited the US more than once and who are now ready to book something more sophisticated than a trip to a theme park.

In view of this burgeoning potential market, "Massachusetts is about to explode as a holiday destination," predicts Mr Clifford. "It's a place which has really come into its own."

In attracting such visitors, diminutive Massachusetts cannot be viewed in isolation from its five neighbours in the New England region. Typically, foreign tourists will fly into Boston, spend a few days sight-seeing and shopping, and then head north by car to the fishing villages of Cape Ann and the state of Maine.

The next stops on the circular tour are rugged New Hampshire and rolling Vermont, before turning south into the Berkshires, world renowned for their autumn foliage and summer arts festivals. After a brief foray through Connecticut and Rhode Island, many usually find themselves at the sandy beaches of Cape Cod, before completing the loop back to Boston.

Foreign travellers going to Massachusetts for business most often stay in Boston, and their numbers are climbing. About 10 per cent of delegates at the city's medical conferences and meetings now come from outside the US, up from 1 per cent a decade ago.

Indeed, medical conferences held in the city often have record attendance. Celebrity speakers affiliated from the state's prestigious schools and hospitals are a big draw, but there are other reasons which have nothing to do with Boston's renowned medical establishment.

"We have all the things that convention delegates tend to like," says Ms Leslie Matthieu Hogan, marketing director for the convention bureau.

Many visitors enjoy the fact that the airport is only minutes away from downtown Boston. First-class hotel rooms are plentiful, the restaurants sophisticated. Best of all, walking around the city is easy.

Last year, it became even easier with the opening of the Boston Convention Complex. The project actually involved no significant new construction. Rather, the "complex" was formed by unifying the existing Hynes convention centre, three hotels and some 200 shops and restaurants by means of a network of glass-enclosed walkways.

In part, the ad hoc complex represents an effort by the city and state to compensate for its lack of a big exhibition centre. While the Boston metropolitan area is the country's seventh-largest, the city ranks 41st in terms of available space for meetings and trade shows. That reality has forced the city to concentrate on booking smaller events.

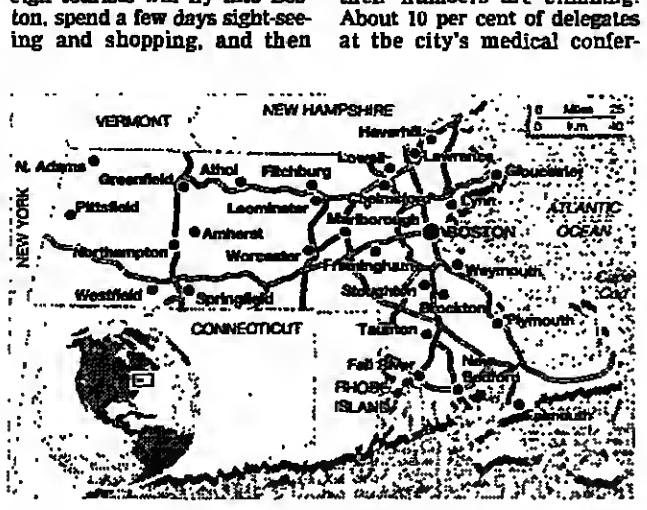
A controversial plan to build a gigantic convention centre and stadium, probably on the southern fringes of downtown Boston, is now working its way through the Massachusetts Legislature.

But it is a little surprising that the scheme is garnering so much political and public support, given the success tourism officials have enjoyed in promoting the city as a leading host of small business meetings.

The number of events booked this year is expected to reach 220, up from just 120 in 1991. Meanwhile, the average number of people attending each function will have dropped from 5,000 to 1,500, underlining the shift in emphasis. But for the city's economy, it is a fair trade, considering that the number of hotel-room nights booked by people attending meetings climbed nearly 40 per cent over the same period.

Indeed, Boston appears to have found a profitable niche, and one that seems most appropriate to its character as a small, intimate city.

Understated charms: Thompson Bank at Old Sturbridge Village, Sturbridge *Picture: Kindra Clineff*



FUND MANAGEMENT

Success harks back to the city's origins

Whatever else may have gone wrong with the Massachusetts economy in the late 1980s, Boston's fund management industry never missed a beat.

At the tail-end of the boom in 1989, Boston-based Fidelity, America's biggest fund manager, had $109bn under management and 6,500 employees. It now manages $295bn and employs 14,100.

Bostonians have a sense of history, and explanations of their success in fund management tend to hark back to the city's origins.

Mr Daniel Pierce, chairman of Scudder, Stevens & Clark (funds under management: $90bn-plus) says: "In many ways, Boston is the cradle of investment management. It probably goes back to the point where wealth was created in this country on the east coast rather than the west coast.

"The legal concept of the prudent man came up through the courts here in Massachusetts, and people became trustees here in the days when you managed money out of your hip pocket."

Professor Michael Porter, of the Harvard Business School, agrees: "Massachusetts always had a financial centre: it's where the industrial revolution really started. When you get critical mass, you start a chain reaction.

"Every company that makes a presentation to analysts comes to Boston – *you can hit* 100 institutions here. The State Street Bank and the Bank of Boston are among the country's biggest custodians. And talented people in the financial community like living in Boston – it's an intellectual community and s nice place to live."

Scudder, according to Mr Pierce, can claim to have been America's first pure investment manager, having been formed in 1919.

Scudder, Stevens and Clark were Harvard graduates who started out in broking as bond salesmen.

"One of their clients was the head of the Boston Fed," Mr Pierce says. "They came up with a service for him based on a fee for assets under management. So they came up with the investment counsel concept."

The success of up-market Boston firms such as Scudder is partly based on an adroit combination of professionalism and genteel *discretion*. Private clients with a net worth of $1m-$2m, Mr Pierce remarks, are Scudder's bread and butter.

Many of them are not from Boston. "I've had a lot of good clients from New Orleans. That's an even tinier place than Boston, so perhaps privacy is an element there."

Another part of Boston's success is based precisely on its distance from New York. There is an intriguing British parallel in the investment centre of Edinburgh, where fund managers like to argue that they gain in objectivity by viewing the London market from afar.

"With modern communications you can have analysts anywhere," Mr Pierce says. "But in New York, you can get quite swept up by the emotions of the market. People get quite hysterical down there.

"Part of our job is to be a stabilising influence, and that's easier when you're away from the screaming and yelling."

Nevertheless, he concedes, New York tends to have the more international outlook. That is important to Scudder, which is quite unusual among US firms in its international exposure.

Against s US industry average of 7-9 per cent of assets invested abroad, Scudder has 30-35 per cent.

In equities, it has more money invested abroad than at home; and while the bulk of its bond business is handled out of Boston, most of its global equity funds are run out of New York.

But the mutual fund industry continues to increase its employment in Massachusetts.

According to Fidelity, its US employment has risen 33 per cent *since* August 1993 to 13,900: its Massachusetts employment has risen 24 per cent to 6,700.

Thus, Ms Connie Hubble, of Fidelity, points out, while the firm's 7m customers are spread across the US, half its employees are still in Massachusetts. "This is our home and our heritage, and it will remain that way," she says.

This fact has been a godsend to the local real-estate market, which has never really recovered its nerve since the crash of 1989.

Scudder has just started building s 110,000 sq ft office building 15 miles to the south of Boston – the first such new building in the area for years. According to an estimate quoted recently in the New York Times, the mutual-fund industry now occupies 8.5m sq ft in the Boston metropolitan area, compared with 3m in 1989.

Looking forward, the Boston fund management community may find it hard to combine explosive growth with regional loyalty. However, it seems committed to trying.

"Our objective," says Mr Pierce, "is to be a pre-eminent global investment firm. I don't think you have to give up your heritage to do that."

Tony Jackson

THE FISHING INDUSTRY

Sacred cod no longer works its miracle

Not many states think enough of fish to build a statue of one, but Massachusetts does. The "sacred cod" a wooden effigy of s fish, was hung in the state's House of Representatives two centuries ago to symbolise its importance to the Massachusetts economy and is still a big tourist attraction today.

Tha fishing industry itaelf has had less staying power. Stocks of cod and other key commercial species have dwindled to dangerously low levels, and fishermen have seen their daily catches fall to just a fraction of what they once were.

Faced with a desperate situation, the State Division of Marine Fisheries, which oversees fishing regulation, put in place in May a number of rules which limit days at sea and the hole size in fishing nets. The agency now says that those regulations are insufficient and wants to have important fishing areas declared off limits.

The latest moves, fishermen say, will mean devastating unemployment for many coastal towns which still depend on the industry. The Gloucester Fisheries Commission, which represents fishermen, predicts that half the people employed in the sector today will lose their jobs.

Although fishermen say pollution is partly to blame for the decline in fish stocks, environmentalists and the Division of Marine Fisheries say the real problem is overfishing.

"This area has been overfished for years, and if we don't do something about it now, stocks of cod and other fish could completely disappear," said Mr Philip Coates, director of the Division.

Local congressmen have succeeded in winning some federal support for the fishermen. About $30m in aid is being directed to re-training programmes and other initiatives. But fishing activists say while young fishermen may be able to learn other skills, older fishermen will have a hard time changing professions.

"A lot of the fishermen in Massachusetts immigrated from Sicily and Portugal and may not have got past a fourth grsde education," said Mr Howard Nickerson, director of the Offshore Mariners Association in New Bedford.

"This is all they've ever done and all they've ever wanted to do. I don't think they'll be getting into computer programming."

For those who remain in the business, times will be tough. Some of the federal aid money may go towards promoting species such as mackerel and dogfish, which traditionally have not sold well. But the fishermen say marketing can only do so much. "Housewives just don't like to prepare mackerel," said Mr Anthony Verga, executive director of the Gloucester Fisheries Commission. "They think it's too oily and smelly."

Fishermen and environmentalists are looking to the Canadian model of fish stock management. Canadians have used *generous benefit packagea*, which include buying fishermen's boats and settling their debts, to reduce the number of people in the industry.

Because fishing stocks are near collspse, environmentalists say strict rules must be *enacted* now, *and fishermen* themselves agree that something drastic must be done to turn fish populations around.

It will probably take many years for ths regulations to make a differance to fish stocks. In the meantime, many fishermen will be forced out of business, and towns built on the fishing industry will probably suffer profoundly. The sacred cod no longer works its miracle on the Massachusetts economy.

Victoria Griffith

Boston worked hard for its rejuvenation, writes **Victoria Griffith**

Foreigners provide impetus

Over the past two decades, Boston has metamorphised from a sleepy parochial town into a fashionable, cosmopolitan centre. Elegant Newbury Street, once a residential enclave, is now a thriving mecca for designer shops and pavement cafes. Snatches of French, Italian, Spanish, Japanese, and other languages now drown out the once-dominant Bostonian dropped "R".

A flood of foreigners into New England's largest city has provided the impetus for change. To diversify their student base and replenish their coffers, Boston's universities have recruited surging numbers of candidates from abroad, and foreigners have flocked to study at world-renowned institutions such as Harvard, the Massachusetts Institute of Technology, and Tufts.

A large and growing immigrant community has added diversity. Brazilians, Irish, Haitians and others have decided to try their luck in Boston and the area's high-technology companies have been a magnet for foreign scientists, many of whom are alumni from the city's universities.

Tourism is also booming. Hotel occupancy for the month of August in Boston was an impressive 89.9 per cent. Foreign visitors are increasingly drawn to Boston's thriving arts *scene, world-class restaurants*, and well-preserved red brick ambiance.

Boston has worked hard for its rejuvenation, although the results have not always been desirable.

The city kicked off urban renewal in the 1960s with a still-mourned destruction of the West End and the construction of a much-criticised Government Centre.

In the 1970s, planners redeemed themselves with the successful renovation of the old Faneuil Hall marketplace, which served as a prototype for similar developments around *the country, including* the South Street Seaport in New York.

Boston, now recovering from a devastating recession which sapped much of the city's vitality, is tackling urban projects with renewed vigour. A new sports centre for basketball and hockey is set to open early next year and the North Station rail terminal is undergoing a major renovation. The city is also in the middle of an $8bn project to put the city's elevated Central Artery highway underground, in what is billed as the biggest urban highway project in the country.

Boston's *vision of its future* is ambitious. Developers are pushing for the construction of a new Megaplex, a combination sports stadium and confereoce centre which would allow the city to host important conferences. Public transportation should get an important boost from plans for new commuter rail lines and an extension of Boston's already efficient subway system. The city also hopes to host the Olympic Games in 2008.

To shore up its tourism market and renowned quality of life, Boston is spending billions of dollars on the environment.

Faneuil Hall marketplace: successful renovation *Picture: Kindra Clineff*

Environmental measures have at times caused resentment among the city's residents. A $4bn harbour clean-up has been largely financed with local water tariffs, making the area's water rates the highest in the country.

Owning a car in tha city can be a nightmare. Boston discourages driving in an attempt to control air pollution, and a freeze on the number of parking spaces svailable has made the city one of the most difficult places to park in the world.

On the whole, however, residents seem happy with the way things are going. The downtown exudes an air of quiet self-confidence which the statistics seem to justify. The city is ooe of the best educated in the country, with some 46.7 per cent of residents over 25 in the metropolitan area baving completed a college degree. It is also one of the safest big cities, in terms of violent crime, in the US.

Widespread satisfaction with the status quo led to a victory last year for Thomas Menino, former Mayor Flynn's band-picked successor.

The city's economy is also picking up, fortified by new sectors such as biotechnology and enviro-technology. Those sectors feed on the brain power of Boston's universities, which themselves provide an important economic impetus. Alumni and professors from the Massachusetts Institute of Technology alone started more than 600 companies in the state, and students are big spenders in the local economy. *Harvard University is one of* the largest employers in Massachusetts.

Although the city has moved forward, remnants of a sleepier past are evident. At times the city appears too staid. Boston has never had a black mayor, *for example*, and *Menino is* the first non-Irish mayor to be elected in decades. For a town with so many students – they account for about 17 per cent of the population – Boston also goes to bed surprisingly early. It can be difficult to get a meal in the city after 10pm.

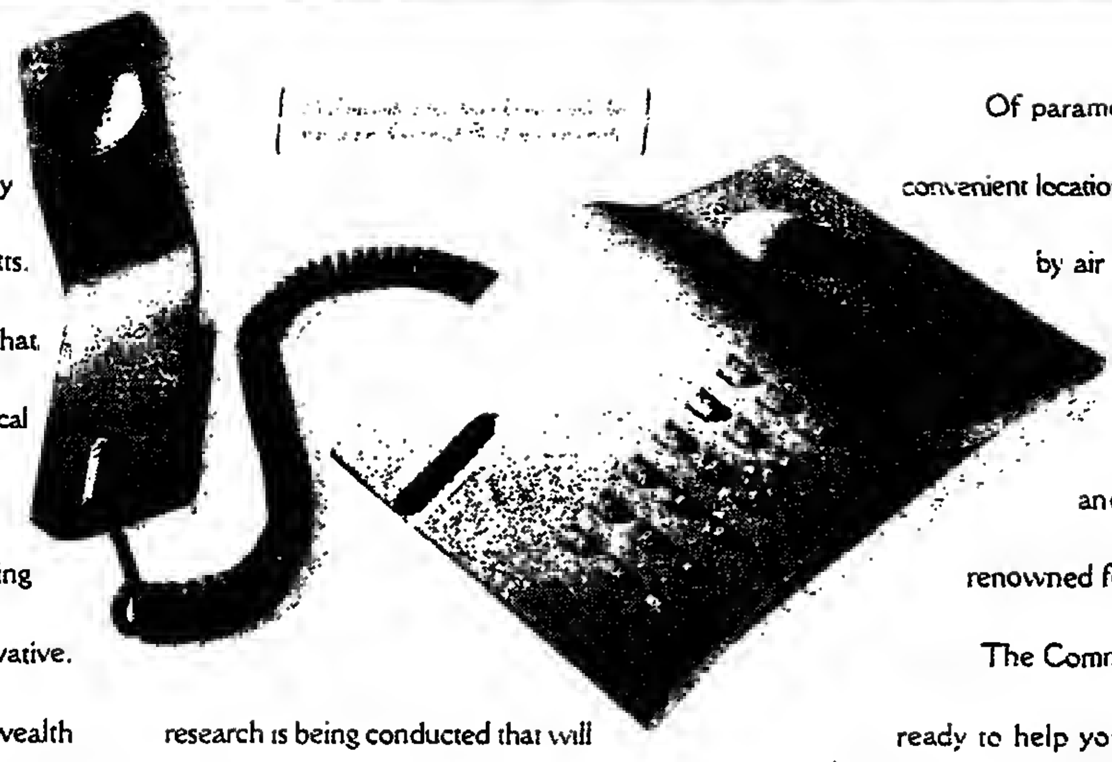
Boston suffers from more serious blemishes as well. Despite its left-wing traditions, the city has been unable to shake the image of racism earned when it pioneered "busing" *in the 1970s. The practice*, which sought to provide a better racial mix in schools by transporting black children to white neighbourhoods and vice versa, sparked off a series of riots and deepened racial divisions.

In fact, critics say one reason Boston is relatively safe is because residents tend to stay in their own neighbourhoods, exacerbating segregation. They also complain that most of the urban renewal money has been invested in the downtown and up-market residential areas, and has done little to help poor enclaves such as Dorchester, Roxbury and Hyde Park.

Still, as so many US cities confront devastating crime, worsening pollution and crumbling infrastructure, Mayor Menino feels he is in an enviable position.

"I feel lucky sometimes, because Boston is still a city that works," he said. But the city wants to be more than just a nice place to live. Time will tell if its ambitious plans for the future will be realised.

The telephone, the fax, and the computer were invented in Massachusetts. Now, which will you use to request information on doing business here?



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H. H. Aiken's Harvard Mark I computer was the predecessor to today's high-powered models.

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PEOPLE

Premier position for Barrie Stephens

Premier Consolidated Oilfields has come up with a high-profile replacement for Roland Shaw, the controversial founder of the independent oil and gas exploration company who was ousted in August.

He is Barrie Stephens, the 66-year-old Welshman who has built Siebe, the international controls group, into one of the UK's biggest engineering companies. During his 31 years at Siebe, sales have grown from £1m to £1.86bn and the Windsor-based group now employs 32,000 people worldwide.

Stephens combined the roles of chairman and chief executive at Siebe until the begining of this year, and still works three days a week as chairman. He became a non-executive director of Simon Engineering last year.

Roland Shaw, Premier's colourful founder, was forced out in a boardroom coup at the age of 72. Shaw, who came to London from Dallas in the 1960s, is well known in the oil industry for his outspoken views and strong personality.

Tha archetypal deal-maker, Shaw is widely credited with building up Premier from scratch to a company that at the peak of the oil market was worth £500m, compared with its present value of £142m. However, his flamboyant approach sat uneasily with the other members of Premier's board when conditions in the oil industry were more sober. He was stripped of his executive position in 1992 and quit as non-executive chairman in August. Shaw remains chairman of Heritage Oil and Gas.

According to Charles Jamieson, Premier's chief executive, Stephens has contacts not only in the City, but in the international business community where Premier is expanding its operations. *Andrew Bolger and Peggy Hollinger*

Bodies politic

■ **Lord Trefgarne**, who started his career in his family engineering business and was a minister of trade, has been appointed chairman of the ENGINEERING TRAINING AUTHORITY.

■ **George Hammersley** has been promoted to chief executive of the BUSINESS VENTURE PROGRAMME, funded by Glasgow Development Agency and Scottish Enterprise, and designed to create ventures between Scottish management teams and north American companies.

■ **Peter Smith**, a director of Reuters Television, has been seconded to the DTI for two years to assist in the Export Promoter Initiative.

■ **Lynda Sharp**, a scientist in the ministry of defence, has been appointed head of the government's DEVELOPMENT UNIT ON WOMEN in Science, Engineering and Technology.

■ **Mark Sherriff**, a stockbroker with Greig Middleton and chairman of the TAVRA for the Highlands of Scotland, has been appointed chairman of The MacROBERT TRUSTS.

■ **Lindsay Fortune**, head of health, environment and safety services at Courtaulds, has been appointed chairman of Incpen (the INDUSTRY COUNCIL FOR PACKAGING and the ENVIRONMENT).

■ **Sir Louia Blom-Cooper** has been appointed to the chair of VICTIM SUPPORT.

■ **Eugene Connell**, president and ceo of NYNEX CableComms, has been appointed chairman of the CABLE COMMUNICATIONS ASSOCIATION.

Morgan finds his password at Zergo

Peter Morgan, former director general of the Institnte of Directors, has added Zergo, an information security company, to his list of non-exeentive directorships.

Morgan, 58, will be able to exploit his compnter expertise in his new role: for 30 years he worked for International Business Machines, the world's largest computer company, before moving to the IoD in 1989 for a period in office distingnished hy trenchant defence of the free market.

Zergo, with a turnover of abont £7m and funded through venture capital, looks a different kind of story. It is a comparatively new company, based in Basingstoke, Hampshire. Its managing director is Professor Henry Becker, a specialist in passwords and encryption technologies.

Its successes inclnde providing security modules to Visa International and enhanced secnrity systems for the banks' Clearing House Automated Payment System.

Morgan's role is expected to inclnde overseeing Zergo's eventual move to the stock market. Despite some jitters aboot high technology companies in the light of receot reverses, Morgan should have little difficnlty in persuading the City of Zergo's potential. Information security is foremost in many minds at present. *Alan Cane*

No flies on Merrill Lynch's Owen

The average age of members of Merrill Lynch'a London office has taken a dip this week following the retirement of John Owen, 60, the longest serving member of London's US stockbroking community.

When Owen joined Merrill's London office in 1961 as a £1,450-a-year trainee hroker, Merrill had a staff of 10 and was the sort of outfit that was prepared to challenge the City establishment hy advertising its services. Lord Dundee of the London Stock Exchange gave us a "very hard time", says Owen.

Today, Merrill employs around 1,800 people in the City and many of them got their joh because they caught Owen's eye. Owen went trawling for new recruits long before it became fashionable for stockbroking firms and merchant banks to do the "milk round" at universities.

Many still work at Merrill but others who have gone on to greater things include Richard de Lisle, managing director of equities at Dean Witter, Geoffrey Bunting, first vice president of Prudential Bache Securities, Jonathan Laing of J.P. Morgan Securities, and Richard Spring, the Tory MP.

A former chairman of the Association of New York Stock Exchange Member Firms in the City, Owen has humped into most of the hig investors during his City career. There will be plenty of people who still recognise the name of Jim Slater, the wealthy investor who once ran Slater Walker Securities. But how many, like Owen, dealt with go-go investors such as Gerry Tsai or Bernie Cornfeld?

Owen refuses to accept that the City is less fun than it was when he started. His advice to young stockhrokers is to get an egg-timer. If the sand has run out and you are still talking, you are not doing your joh. His final tip: never believe a broker who says that it's different this time. "In my experience it is never different," says Owen, who plans to use his retirement to improve his fly fishing. *William Hall*

MANAGEMENT: MARKETING AND ADVERTISING

Christmas is coming and the gift budget is fattening up after some lean years, writes **Diane Summers**

Packaging corporate presents

The padded envelopes and strangely-shaped packages are starting to arrive: it is the time of year when diaries, pens, calendars, bottles and even hampers are beginning their ritual circulation between companies.

Christmas provides the perfect excuse for buttering up clients in the hope that their custom will continue and augment over the coming year. Companies' gift budgets were tight during the recession, but those involved in manufacturing and supplying the gifts now report that business is brisk.

There is concern from some in the industry that recent allegations in the British press of "sleaze" in public life have put a last-minute dampener on enthusiasm for gift giving and receiving this Christmas; others report no discernible damage has been done.

Alyson Cook, editor of the trade journal *Promotions and Incentives*, says that gifts have been in the spotlight more over the last few weeks than ever before. "A certain amount of suspicion has been generated among general consumers as well as employees about receiving corporate gifts. It is a great shame because corporate gifts are all sbout the feel-good factor – enhancing your company's image with regular or potential customers," she says.

But Peter Austin, managing partner of Clearwater Hampers, which has seen sales 80 per cent up on this time last year, says there has been no sign of post-sleaze puritanism. "Not a sausage," he says emphatically, although he reports losing two or three companies which have their headquarters in Italy, which has had its own sleaze to contend with.

Even where companies do object to their employees receiving gifts, it seems that some gift-givers may be finding their way round a ban. Says Alan McCleave, business development manager with Bordeaux Direct, the wine gift service: "We are just given home addresses half the time. I would imagine that is one way of getting round it."

Austin is sceptical that mailings to home addresses show the rules are being bent. An external gift-giver would be unlikely to have an employee's home address and it would look s bit odd suddenly to ask for it, he says.

Austin's hamper company also sends many gifts to home addresses, but it is employers themselves who are sending them as Christmas bonuses, be says.

A home delivery saves having to lug a hamper home on the bus, and it stops envious

Keeping the customer satisfied: seasonal fare to create a warm glow or themed items with a company logo such as IBM's Pink Panther range

glances at other employees' presents. Even at Christmas, hierarchy intervenes. Austin explains: "If you have staff of different seniority, you do not want one person who has got a small hamper looking at the chap over the desk who has got one twice the size."

Apart from hampers and wine, Cook reports that gift voucbers, particularly those redeemable at large retailers such as Marks and Spencer, J. Sainsbury and Argos, have been a growth market in recent years. Goods bought with gift vouchers are unlikely to be a year-round reminder of the giver's munificence, or sit around on a desk like a pen or s diary, adorned with the donor company's logo and telephone number. Nevertheless, says Cook, vouchers are popular with recipients' families – a warm glow at home is bound to enhance the feel-good factor.

For some companies, giving gifts is all about attracting attention with freebies that are often in dubious taste. Says Cook: "You can get your own branded condoms. They can be luminous, shaped to any size and posted under plain cover." One of this year's particular hits has been dolls featuring the chart-topping pop band Take That, she reports.

In the experience of Jill Wilkin, marketing manager of software company BMC, even the hardest-bitten manager will have a soft spot for a silly gift. Key-rings may be a cliché, but a train-shaped key-ring, which emits train-like sounds when a button is pressed, is apparently irresistible. Present one "to a grown man who runs a company and he will fall about in hysterical laughter," she says.

While companies may toy for a time with something different for their corporate gifts, they will usually revert to the top five safe bets, according to Andrew Bourne, who heads the largest UK gift business, Bourne Publicity.

These hardy perennials are pens, diaries, calenders, mugs and desk pads, replete with company logo. The logos have becoma more discreet, says Bourne, and quality of gifts has improved vastly. "It used to be a high volume of low-priced items which fell apart, doing more harm than good," he says.

He finds that companies are now giving fewer gifts, spending more on them and targeting them more closely. Clients include Sony, Royal Mail and IBM, for which Bourne has assembled a brochure of Pink Panther-themed promotional gifts.

Wilkin agrees that the emphasis is now on quality and targeting. Her main aim is to get desk space: "We go for items which are useful, go on the desk and don't take up too much space. A lot of people now work in open-plan offices. You can't give them calenders because they don't necessarily have their own wall to put them on."

Gifts such as computer-mouse mats have been particularly popular, she says. Every item will have her company's name and telephone number. "If they hit a problem, they don't even have to think who to talk to – our name is there," says Wilkin.

Like many other companies, BMC uses promotional gifts around the year, at exhibitions, seminars and as incentives, for example, for customers to fill in questionnaires. "There is less of a push now at Christmas than there used to be."

For most companies the issue of whether or not to send corporate gifts this year will have been decided months before the current bont of sleaze allegations set in. According to Cook, "the sensible promotional manager will have organised his gifts way back in the summer, buying in bulk to get a good price".

Even those who have hesitated at the last minute may reconsider their decision in the cold light of the new year, in the experience of McCleave. Last Christmas some customers said they were calling a halt to gift-giving.

"Then they all panicked in January when they found their rival companies were doing it and getting the business," he says.

INT

Generation X goes to the anti-mall

Victoria Griffith finds designer graffiti and a lack of marble fountains at The Lab, dedicated to young Californian shoppers

Graffiti on the crumbling wall declares "Lost in a sense". Weeds creep up through cracks in the pavement. Teenagers in cut-off shorts and hiking boots lounge on thrift-shop furniture.

The scene may be evocative of city slums, but there is nothing undesirable about this picture in the eyes of its creators. The place is The Lab, a shopping complex in southern California that bills itself as the first mall in the US to be conceived for a single generation.

In fact, say its developers, The Lab is not really a mall at all; it is more of an anti-mall. A hotch-potch of broken signs, scaffolding, and a fountain made of oil drums, the anti-mall's target audience is the so-called Generation X: 18-30-year-olds.

"If anyone blindfolded you and dropped you in a typical mall across the country, you would not have any idea where you are," says The Lab's developer Shaheen Sadeghi. "Here, we tried for something different, not the old fountain-and-marble formula. We tried to put some excitement in retailing."

Usual mall mainstays such as Neiman Marcus, The Banana Republic and Waldenbooks are conspicuously absent. Instead, The Lab offers a comic book shop called Collectors Library and a florist called Weeds.

So far, The Lab's strategy seems to work. The complex rented out all available spaces before its opening in March, and retailers say they are pleased. "It allows us to reach our target market," says Rodney Metoyer, manager of Tower Alternative, a subsidiary of the music store Tower Records. Tower Alternative, created specifically for The Lab, stocks recordings of trendy bands such as The Cranberries, Green Day and Nirvana, as well as unsigned local bands from the area.

The retail store Urban Outfitters forms the anchor for the shopping complex, and the chain's architect, Pompei A.D., designed The Lab. It is Urban Outfitters' first time in a mall – part of the chain's strategy has been to locate only in urban areas.

The Lab's architects say the store is meant to mimic dense urban environments. "We were looking for the same sort of excitement and energy you get from being in a hip neighbourhood of a big city," said Ron Pompei, principal of Pompei A.D. "Imperfections are OK here."

As a base for the old and crumbling look, The Lab was built in and around the most ancient structure in the town of Costa Mesa, near Los Angeles – a military barracks from the 1950s.

Instead of building the complex in a real downtown area, Pompei imported urban decay for the simple reason that there are very few old downtown areas in southern California. "There's no sense of centre here, and we are trying to fill that void."

Apart from Urban Outfitters and Tower Alternative, The Lab has no large chain stores, because Sadeghi believes Generation X opposes the homogenisation of American culture. Instead of "food courts", the clusters of fast food restaurants found in most malls, The Lab dishes up health food in a coffee house furnished with lumpy sofas.

The Lab also capitalises on Generation X's penchant for good causes. Instead of car expos and fashion shows, The Lab sponsors special charity events. One initiative earlier this year, for instance, invited shoppers to buy broken tiles to decorate walls. Proceeds went to a charity for the homeless.

Sadeghi says the town was sceptical when The Lab first laid out its plans. "They thought we were going to attract unemployed kids with tattoos," he explains. "But the people who come here are mostly students and young professionals." Although The Lab is unabashedly aimed at the young, it has also attracted older customers. Sadeghi says half its customers are over 30.

The formula may work in southern California, but it is questionable whether it will be as big a success in other areas of the country, such as the north-east and north-west of the US, where young trend-setters have authentic crumbling downtown areas to frequent.

But Sadeghi says he is planning new anti-malls. He is currently eyeing a deteriorating downtown section of Seattle, Washington, and a suburban area on the edge of San Diego, south of LA. Once again, Pompei will provide a pseudo-urban design. The details have not yet been finalised, but one thing is certain. There won't be a marble fountain in sight.

ARTS

Cinema/Nigel Andrews

Emotionally arrested

SECOND BEST (12)
Chris Menges

THE SHADOW (12)
Russell Mulcahy

AIRHEADS (15)
Michael Lehmann

MY FAIR LADY (U)
George Cukor

Owing to the indisposition of Oliver Stone's *Natural Born Killers*, *My Fair Lady* is the surprise addition to the week's release schedule. What it is to have our censor to guide and guard us. Spared *NBK*'s depraving modernism, we can bask in a week where the sun seems never to have set on Nice Anglo-Saxon Values; or never to have risen on challenge, disorientation or originality.

Screen violence has become an all-purpose scapegoat today. A well-known movie reviewer on TV said recently, with a cosmic shrug, "A hundred years of cinema and we end up with Arnold Schwarzenegger." But I am more concerned that after 100 years we end up with *Second Best*, *Airheads*, and *The Shadow*: not to mention a 30-year-old revived musical.

Violence is not the enemy of art or morality. In a grown-up world both these arenas should be strong enough to accept the challenge of lively debate. The enemy of art, and of thinking morality, is the apathy of demure traditionalism or brainless trend-following: both of which are written through this week's films.

We see the first in *Second Best*, the potentially touching tale of a Welsh sub-postmaster (William Hurt with accent and curly-red wig) who seeks to adopt a disturbed youngster (Chris Cleary Miles). But he has many battles to fight: not least with the uneven style and tone adopted by the British director and former cinematographer (*The Mission*, *The Killing Fields*) Chris Menges.

As in *A World Apart*, his anti-apartheid directing debut, Menges has a maddening ability to outline main characters with a sharp, compassionate light while letting the rest of the film dissolve into miasma. Miles is very moving as the boy, his large, hunted eyes ranging from bleak defiance to tearful self-surrender. And Hurt's pained precision in the older role is masterly. *The face* is a transparent mask of perplexity: a kind of physiognomic fish tank through which we watch his restless thoughts.

But this central tale of bonding between two emotional cripples – both maimed by lack of parental love, as illustrated in the epidemic of flashbacks in David Cook's script (from his own novel) – takes place in a social and moral void.

Where are Hurt's fellow villagers? How – apart from some brief rhubarbings from gossipy shop customers – do they react? And how should *we* react to a story in which a single man with no sex life, apart from the "DIY" option that probing social worker Jane Horrocks compels him to admit to, seeks an 11-year-old surrogate son? It surely arouses a suspicion, at least, of substitute sexual passion.

The movie stutters around this question as it does around the dainty, ever-flowing tea table in Hurt's low-ceilinged home. Menges and Cook behave towards us like parents failing to get up the nerve to tell their child the facts of life. And as other characters, from Uncle John Hurt via adoption therapist Prunella Scales to Keith Allen as the boy's ex-convict Dad, pop up even the brave naturalism of the central duo starts to look like part of the dramatic evasiveness.

Second Best ends up as second best itself to Cook's 1980s TV play *Walter*, another, tauter case study of emotional arrest. That one starred Ian McKellen. And where is Sir Ian?

The finest Shakespearean actor of his generation balances a pair of specs and a wobbly American accent in *The Shadow*. He plays a bomb-designing boffin caught in a tug of war between the hero (Alec Baldwin as caped wrong-righter Lamont Cranston) and the villain (John Lone).

This is another film that makes us long for the impious, millennial anarchy of Stone's mayhem opera. Time-warped in 1930s New York, we stutter through yet another romp about a comic-book crusader filmed in a style that *Batman* popularised as "retro-noir": dimly lit and stuffed with yesterday's iconography. A Fu Manchu-style baddie; a Gotham City sketched in swift, cliché strokes of post-Depression Gothic; and Baldwin leaping into invisibility with all the ease of an actor who has scant discernible presence even when we can see him.

At the start it looks hopeful. The director is Russell "Highlander" Mulcahy, so the camera swoops and soars. The special effects boast a flying ornamental knife with an animated face grimacing on its hilt. And we like the museum security guard who when confronted with a close descendant of Genghis Khan stomping towards him, after emerging from a sarcophagus, says, "Er, we're closed."

But a little post-modernism goes a long way; a lot can end up going absolutely nowhere. *The Shadow* is auto-erotism as style: the cinema's form of DIY love play, losing itself in reflected reveries of past glory. How apt that it ends with another of those hall-of-mirror shoot-outs plundered from Orson Welles's *The Lady From Shanghai*. Or is this another in-joke? Welles, after all, was the original radio voice of Lamont Cranston.

Airheads is the week's third distress call from Anglophone cinema. This time a Los Angeles radio station is comically hijacked by a fame-seeking rock group calling themselves The Lone Rangers, led by Brendan Fraser, last seen as a defrosted Neanderthal in *California Man*. They try to force the station boss (Michael McKean) and the DJ (Joe Mantegna, mugging away in a wig as if he had never been America's leading Mamet actor) to play their demo tape over the air.

Director Michel Lehmann's early career was a downhill slalom from *Heathers*, his sweetly malicious comedy about a girls school, to *Hudson Hawk*, his Bruce Willis superflop. Lehmann still seems to be wearing runaway skis. The plot does not so much progress, more zigzag between deadly marker-posts. Blunt gags snap at the ankles; tone-changes are tried and discarded; finally the film ends in a heap at the bottom of the piste.

At least *My Fair Lady* has grace and a sense of presentation. We still look at this large, creamy epic made from the Lerner-Loewe stage musical and wonder if less would not have been more. (Did they keep saying to designer Cecil Beaton, "More froufrou, Cecil"?) But when the film is tuneful it is very tuneful. And even when it is tuneless we have Rex Harrison, master-croaker, in charge of the *sprechgesang*.

The other pleasure for revival buffs is Vittorio De Sica's *Bicycle Thieves*: neo-realism on wheels. The 1948 Italian classic is proof that all you need to make a great film is a camera, a few streets, and a group of characters tested by credible extremity.

Much like *Natural Born Killers*. Oliver Stone's film is not a great one, but at least, unlike any other new film this week, it is in touch with real life and raw emotion. It looks like a work of cinema made today for audiences of today. But in Britain, thanks to a movie-vetting system based on bowing to yesterday's moral mandates, we shall have to wait till tomorrow, or longer, to see it.

Potentially touching: Chris Cleary Miles and William Hurt in 'Second Best'

Concert/Antony Bye

The Brno Philharmonic

For Western classical music lovers the city of Brno, the provincial capital of Moravia in the Czech republic, probably means just one thing: Janáček. It was there that he worked for the greater part of his life and there in the city's opera house where, during the 1920s, the last four of his remarkable operas were first performed.

Curiously, the official founding of the city's flagship symphony orchestra, the Brno Philharmonic, postdates even that memorable era: although the Brno Philharmonic Society started giving concerts as far back as 1808, and in various guises (at one point as the Brünner Philharmoniker playing for the German Opera) has actively participated in the city's musical life ever since, it was not until 1956 that its present status – as the Brno State Philharmonic Orchestra – was fully established.

Yet one would hardly have guessed its relative youthfulness from the assurance and love with which the orchestra under its Principal Conductor, Leoš Svárovský, played a programme ideally suited to its many qualities at the Royal Festival Hall on Tuesday: nothing from the core Austro-German repertoire, but Smetana, Tchaikovsky, Suk and Janáček, all composers who found a perfect match in the orchestra's unanimity of purpose and radiant delivery.

If the choice of the overture to Smetana's *The Bartered Bride* as opener was somewhat predictable (though not inappropriate, since this was the opera which inaugurated Brno's National Theatre in 1884), it certainly set the tone *of the evening* in the agility and incisiveness with which it was projected, qualities even more evident in the glowing textures of Josef Suk's attractive if slight *Fantastic Scherzo* which the orchestra convinced us was nothing less than a masterpiece.

Tchaikovsky's Violin Concerto certainly benefited from the orchestra's warmth and vernal freshness, and in Igor Oistrakh it found an ideal partner. Admittedly Oistrakh's rubato was a little free to begin with, causing some problems of ensemble, but once he embarked on his first bout of passage-work, strict – though by no means inflexible – time was the order of the day and the interpretation – objective but intense, robust but capable of delicacy – took wing. The slow movement, natural and supple was imbued with a lyricism free of mawkish sentiment, the finale precise and rhythmically poised.

And, of course, to end it had to be the Janáček Sinfonietta, complete with the luxury of 13 extra Czech brass players. Janáček's sinewy orchestration can often sound simply bizarre in the wrong hands, but here seemed to hold no terrors: confirming the Brno Philharmonic's inborn musicality and utter unselfconsciousness, qualities which seem to infuse all it comes into contact with, traditional – and fast-disappearing – music-making at its best.

Opera/John Allison

The Brandenburgers in Bohemia

The Chelsea Opera Group, whose regular concert performances of neglected works are a valuable asset to the London music scene, has in the past enjoyed particular success with Slavonic repertory – the body of operatic literature most under-represented in the west – and Sunday's performance of *The Brandenburgers in Bohemia* was no exception.

Smetana's first opera (premiered in 1866), though uneven, is full of vivid music. With its idiom derived from mainstream European opera, *The Brandenburgers* anticipates only now and there the composer's mature "Czech style", but several appealing folkish episodes make it worth hearing regardless of the shortcomings – revealed all too clearly at the Queen Elizabeth Hall in Deryck Viney's stilted translation – of its libretto.

Although *The Brandenburgers* was a great success at first – for a while it even overshadowed Smetana's second opera, *The Bartered Bride* – the work *has always been hostage to its* country's fortunes. With a plot based on an incident during the 13th-century Brandenburg invasion, it has provided dis*comfort for any occupying* force; the opera was, of course, too close to the bone for the Nazis, who banned it.

Sunday's concert had a valuable link with Czech operatic tradition in its conductor, Vilém Tausky. The 84-year-old came out of virtual retirement, eager to do *The Brandenburgers*, the only one of Smetana's eight operas he had never conducted before.

A pillar of post-war operatic life in Britain, Tausky was given a heartwarming reception. In spite of physical frailty, he galvanised the orchestra and chorus into one of their best recent performances, and led a lively account of the piece.

One longed, ungratefully, for Czech singers, but the Chelsea Opera Group mustered a worthy cast with only a few small-voiced or score-bound exceptions. Helen Kucharek's fresh soprano made her affecting as the heroine Ludiše, and she was nicely complemented by Jacqueline Bremar, lively as one of her sisters, Vlčenka.

Jeffrey Carl was a musical Tausendmark, but as the villain of the piece lacked vocal heft. The tenor Donald Stephenson's *peasant leader* Jíra was vivid in his crowd-inciting song-and-dance number, and Mark Beeslay's Mayor of Prague had dignity.

The most powerful singing came from Jeremy White's bass Old Villager, whose Act 2 prayer (with chorus) is one of the opera's finest passages.

Theatre/Alastair Macaulay

Albee's 'Three Tall Women'

It's a poor sort of memory that only works backward,' the Queen remarked." In the first half of Edward Albee's virtually plotless play *Three Tall Women*, memory works only backward. The play's three heroines are young (26), middle-aged (52), and old (92), and they represent potential, achievement, aftermath: *Si la jeunesse savait . . . si la vieillesse pouvait*. In Act Two, however, the play moves through the looking-glass, and memory works forward.

The effect is original, contrived, witty, meandering, touching, impressive, specious. The play was new in 1991, has received several prizes since its New York City premiere this February, and now reaches London in an illustrious new production led by Maggie Smith and Frances de la Tour as Heroines A and B.

It is the 92-year-old, a rich New England lady at death's door, who is the centre of the triptych. *In* Act One, her memory *is sliding* to and out of focus (other signs of old age are explicit; the onset of Alzheimer's disease is implicit); and the other two are her companion and a member of her lawyer's firm. In Act Two, however, she is nothing but memory; and the other two are herself at younger ages. The sense that she carries these younger alter egos inside her is clear, even though the 26-year-old repeatedly refuses to age into *that*.

Maggie Smith's creation of the old lady is a marvel of daring and incisiveness. Early on, she starts to wail – for no very good reason, and not for the last time – and the accuracy with which her vocal tone and facial expression capture the peculiar misery of helpless old age is uncannily fine. Yet within seconds her mischievous wit bobs back, and moments later her malicious disdain also. She is more autocratic, more disturbed, more volatile, than Myra Carter in the same role in New York; she achieves serenity only gradually.

On two or three occasions, she over-employs some comic devices – staccato, bird-like turns of the raised head, swivellings of the eyes, all as seen last year in *The Importance of Being Earnest* – but these are minor blots. In Act Two, she achieves a quiet and stillness that must rank among the finest hours of her great career.

Frances de la Tour's performance is without blot, and complements Smith's with model generosity, dryness, and elegance. Anastasia Hille's performance, in the junior role, is altogether less accomplished: fussy, restless, silly. Anthony Page's direction is perfectly paced; Carl Toms's decor and Tom Rand's costumes are handsome.

Wilde's line, "The tragedy of old age is not that one is old but that one is still young", explains part of the feeling that the play creates – but only part. For the young woman *is* so evidently callow beside the older two. The 52-year-old has more compassion, more irony, more resignation; and the 92-year-old is moving towards the final resignation. They speak of family, losing virginity, marriage, sex, adultery, motherhood, illness – much of which has not yet happened to the 26-year-old. Interestingly, though the younger woman is most alarmed at the prospect of disillusion in marriage, the older women are most troubled by their son (who appears, albeit without speaking a word).

The play is weaker and slighter than it has been proclaimed. (I confess that, at its NYC premiere this February, I nodded off more than once – but put that down to jet-lag. At the London premiere last night, however, I spotted others yawning or slumbering at the points I had faded before.) The writing is full of humour, grace, irony, edge; but too often a certain *whimsical* preciosity protrudes. Lines are repeated and echoed at times with a sub-Gertude-Stein effect; *non sequiturs* and stream-of-consciousness changes of subject abound as if Albee were imitating effects from Anton Chekhov, *Virginia Woolf, Samuel Beckett, and others*. An evening both rewarding and frustrating.

Maggie Smith: a marvel of daring and incisiveness

At Wyndham's Theatre, WC2

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Sat: Sherrill Milnes song recital. Mon: François Le Roux song recital. Next Wed: Lola Totsiou plays piano music by Satie (01-728 2333/ 01-722 5511)

BOLOGNA

Teatro Communale Yuri Bashmet gives a viola recital on Mon. The opera season opens on *Nov 26 with* a new production of Rossini's Il turco in Italia (No telephone bookings. Information: 051-529999)

LONDON

THEATRE

● The Merchant of Venice: a brief *London* visit by Peter Sellars' Chicago production, which transports Shakespeare's play to California. Tonight, tomorrow and Sat only (Barbican 071-638 8891)

● Hamlet: the *Globe Theatre* has re-opened as the Gielgud with Peter Hall's new production of Hamlet, starring Stephen Dillane, Michael Pennington, Donald Sinden, Gwen Taylor and Gina Bellman (Gielgud 071-494 5065)

● True West: Matthew Warcus *directs Sam Shepard's drama about* two battling brothers in the Mid West. Till Dec 3 (Donmar Warehouse 071-369 1732)

● The Prime of Miss Jean Brodie: Patricia Hodge takes on the role of the formidable schoolteacher whose mix of romance and wilfulness inspires her pupils (Strand 071-930 8800)

● A Passionate Woman: Ned Sherrin directs a new production of Kay Mellor's play, first seen at the West Yorkshire Playhouse last year. Stephanie Cole stars as the housewife whose passion for life breaks out to the horror of her family (Comedy 071-369 1731)

● The Sisters Rosensweig: Michael Blakemore directs Maureen Lipman, Janet Suzman and Lynda Bellingham in Wendy Wasserstein's Broadway hit comedy about three American Jewish sisters who have a mid-life reunion in London (Old Vic 071-928 7616)

● Moscow Stations: a one-person play, *starring* Tom Courtenay, inspired by Venedikt Yerofeev's acclaimed modern Russian tale about an *alcoholic who stumbles* and dozes his way through a series of surreal adventures (Garrick 071-494 5085)

● The Seagull: Judi Dench's Arkadina heads a splendid cast in Pam Gems' new version of Chekhov's play about disappointed aspirations. In repertory at the National with The Devil's Disciple, Bernard Shaw's 1897 satire on melodrama, and Racing Demon, David Hare's play about tensions in the contemporary Anglican Church (National, Olivier 071-928 2252)

● The Children's Hour: Harriet Walter and Claire Higgins head the *cast in the National Theatre's new* production of Lillian Hellman's 1934 drama about lesbianism, directed by Howard Davies. In repertory at the Lyttelton with Tennessee Williams' Sweet Bird of Youth directed by Richard Eyre, and Arthur Miller's new play Broken Dreams (National, Lyttelton 071-928 2252)

● Arcadia: Trevor Nunn directs Tom Stoppard's complex but often funny drama that won the 1994 Olivier Award for Best Play (Haymarket 071-930 8800)

● She Loves Me: the charming 1963 Masteroff, Bock and Harnick musical about two longtime pen pals who don't know they work in the same parfumerie. Ruthie Henshall and John Gordon Sinclair head the cast (Savoy 071-836 8888)

OPERA/DANCE

Covent Garden The Royal Ballet has Anthony Dowell's new staging of Sleeping Beauty (next *performances tomorrow with* Darcey Bussell and Sat with Sylvie Guillem) and an Ashton celebration featuring a new production of Daphnis et Chloe (next performance on Mon). *The Royal Opera* has a final performance tonight of Romeo et Juliette, staged by Nicolas Joel and conducted by Charles Mackerras, with cast led by Roberto Alagna and Leontina Vaduva. A new production of La traviata, conducted by Georg Solti and staged by Richard Eyre, opens on Nov 25 with Angela Gheorghiu as Violetta (071-304 4000)

Coliseum English National Opera's repertory consists of revivals of Ariadne auf Naxos (with Jane Eaglen) and Die Zauberflöte. A new production of Musorgsky's Khovanchshina, staged by *Francesca Zambello and conducted* by Sian Edwards, opens next Thurs (071-836 3161)

Sadler's Wells Northern Ballet Theatre winds up its London season with performances tonight, tomorrow and Sat of Christopher Gable's touring production of Cinderella, music by Philip Feeney (071-278 8916)

CONCERTS

Barbican Tonight: Mstislav Rostropovich, Irene Schnittke and Mark Lubotsky play chamber music by Schnittke. Sat: Handel's Messiah. Sun and Mon: Lorin Maazel conducts Bavarian Radio Symphony Orchestra in symphonies by Mahler and Bruckner. Tues: Barbara Bonney sings concert arias with the ECO. Wed: Simon Rattle conducts City of Birmingham Symphony Orchestra in Corelli, Mozart, Tippett and Sibelius. Next Thurs, Fri, Sat: Colin Davis conducts concert performances of Idomeneo (071-638 8891)

South Bank Centre Tonight: Richard Goode plays Beethoven piano sonatas. Tomorrow: Michael Stern conducts London *Philharmonic in works* by Strauss, Tchaikovsky and Rakhmaninov, with violin soloist Boris Belkin. Sun afternoon: Shura Cherkassky piano recital. Sun evening: Peter Maxwell Davies conducts RPO in his own 60th birthday concert, with piano soloist Kathryn Stott. Mon: Young Musicians Symphony Orchestra plays Rossini, Tchaikovsky, Rimsky-Korsakov and Ravel. Tues: David Willcocks conducts choral works by Gounod and Fauré. Tues (QEH): John Eliot Gardiner conducts Purcell programme. Wed: Carlo Maria Giulini conducts Vienna Philharmonic in symphonies by Schubert and *Brahms* (071-928 8800)

MADRID

Teatro Lirico La Zarzuela A zarzuela double-bill, consisting of Tomas Breton's La Verbena de la Paloma and Federico Chueca's El Bateo, runs daily till Dec 4, except Nov 21 and 28 (01-429 8225)

MILAN

THEATRE

The European Theatre Festival opened last night (till Dec 18) with Bob Wilson's Paris staging of Virginia Woolf's Orlando. The host theatre, the Piccolo Teatro, is presenting a new Strehler production of Marivaux's The Island of Slaves. The UK is represented by the Royal Shakespeare Company (Henry VI directed by Katie Mitchell) and the National Theatre (Christopher Hampton's new Lewis Carroll adaptation, Alice's Adventures Under Ground, directed by Martha Clarke). Other visitors *include companies from* Berlin, Stockholm, Barcelona and Bucharest (02-861897)

LA SCALA

Tonight: Riccardo Muti conducts the Scala orchestra with piano soloist Murray Perahia. Mon: Teresa Berganza song recital. Dec 7: opera season opens with Die Walküre (02-7200 3744)

PRAGUE

Rudolfinum Tonight, tomorrow: Helmuth Rilling conducts Czech Philharmonic Orchestra and Prague Philharmonic Chorus in *Mendelssohn's oratorio* St Paul. Tues: Jan Simon piano recital (02-2489 3352)

State Opera This month's repertory includes Cosi fan tutte, Carmen, Les Contes d'Hoffmann, Rigoletto, the Kafka opera Der Prozess and Hans Krasa's 1933 opera Verlobung im Traum (02-2421 5031)

ROME

Auditorio di Via della Conciliazione Christian Thielemann conducts the Orchestra dell'Accademia Nazionale di Santa Cecilia on Sun, Mon and Tues in works by Delius, Strauss and Schoenberg. Giuseppe Sinopoli conducts Liszt's Faust Symphony next Wed (06-6880 1044)

TURIN

Teatro Regio A new production of Donizetti's La fille du régiment opened last night, conducted by Bruno Campanella and staged by Luca Ronconi. The production, sung in French, runs till Nov 30, with alternating casts including Eva Mei/ Laura Claycomb and Giuseppe Sabbatini/Jorge Lopez Yanez (011-8815 241)

VENICE

Teatro La Fenice The opera season opens on Sat with the Tarkovsky production of Boris Godunov, restaged by Stephen Lawless. Michail Yurovsky conducts a cast including Anatoly Kotcherga and Vladimir Vaneev. Repeated Nov 23, 26, 29, Dec 3 and 6 (041 521 0161)

ARTS GUIDE

Monday: *Berlin, New York and Paris.*
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

A tax that was pole-axed

BOOK REVIEW

FAILURE IN BRITISH GOVERNMENT: THE POLITICS OF THE POLL TAX
By David Butler, Andrew Adonis and Tony Travers
Oxford University Press, £25 hbk, £7.99 pbk, 352 pages

This book, which chronicles the birth, life and death of the UK's poll tax, is important, interesting and thorough. The authors have interviewed most of the main people involved – including myself – and conclude that the policy reveals shortcomings in the workings of the British government that ultimately led to the toppling of Mrs Thatcher.

The book addresses three basic questions. First, why was it necessary to devise a new form of local government tax? Second, why was the poll tax selected? And third, why did it go so badly wrong?

The pledge to abolish domestic rates was made in the summer of 1974 by Edward Heath, the then Conservative leader. But nothing was done about it. A review of the rating system in 1979 when Margaret Thatcher became prime minister led only to a reduction in the government grant to local authorities.

By 1984 the position had become intolerable. It was difficult for the government to get orders on grants to local authorities through the Commons since the Treasury controls, of byzantine complexity, bore heavily on Conservative councils. At the same time, certain Labour inner-city councils were flouting the system by spending at record levels. The review that led to the poll tax was put in hand, conducted by William Waldegrave and me as environment ministers.

The central question was how much freedom a local authority should have. We were looking for a robust and substantial tax base for local authorities that would allow them to raise and spend their own money, and to answer for it to their electorates.

The solution we came up with was a charge for local services, the community charge – soon dubbed the "poll tax". It was based upon the principle that a wider tax base was necessary because out of the 35m taxpayers only about 14m paid rates; since many of these received rate rebates, only about 8m paid rates in full.

The idea of a community charge was first mooted at Chequers, the prime minister's country residence, in March 1985. It was envisaged that the charge would be between £50 and £100 a head. If the people who attended that crucial meeting had realised the poll tax would be levied at nearly £300 a head in its first year, I am sure the proposal would have been dropped.

The book is wrong, incidentally, to say those involved wanted "to please Margaret". She had no clear views on what should replace rates, and her enthusiasm for the poll tax flowered late.

Three things could have made the poll tax more bearable. First, a lower level in the initial years, which would have meant introducing it in tandem with rates. Such "dual running" was abandoned after a debate at the Conservative party conference in 1987. One should never allow the Tory party conference to make policy – *that is not its function.*

Second, the exclusion from the tax of everybody below the age of 21 would have taken the sting out of student protests. Unfortunately the purist interpretation – that everyone over 18 had to pay – won the day.

And third, the central government grant to local authorities for 1990, the first year of the poll tax, was utterly inadequate, and put further upward pressure on its level.

The Treasury was not helpful. Nigel Lawson, then chancellor, opposed the poll tax but was not prepared to block it. He was already at loggerheads with the prime minister over the entry of sterling into the European exchange rate mechanism and could not take on another issue.

That left Chris Patten, environment secretary in 1990, and me as Conservative party chairman with the enormous problem of having to justify a high and unpopular tax.

Did ministers fail? The poll tax was chosen after careful examination and full discussion, which this book acknowledges.

One of the reasons it went so badly off the rails was that ministers collectively were not looking at the political consequences. Cabinet committees and the full cabinet examined the poll tax but in a fragmentary way. There was no real political discussion.

Nor was parliament effective in scrutinising the impact of the tax. Attempts to modify the legislation were viewed as destructive of the whole concept and this made it even more difficult to get modest, but sensible, changes accepted.

What, then, were the political consequences of this episode? I do not believe it was the critical factor in Margaret Thatcher's fall. The 1990 local government elections showed councils such as Wandsworth and Westminster could win majorities if the poll tax was low as a result of lower expenditure. It was a good stick to beat Margaret Thatcher with, but it did not match Sir Geoffrey Howe's resignation speech.

Where do we go from here? The present system of funding local government based upon the council tax and tough central government controls is unlikely to survive. It does not give local authorities the freedom they should have and this will increase friction and hostility between local and central government in future.

There is no easy answer by, for example, allocating a slice of income tax to local government and calling it local income tax. If money is raised centrally and simply allocated to local authorities, what is the purpose of those authorities?

Lessons have certainly been learnt from the failure of the poll tax. But the issue at the heart remains what it was – the powers of a centralised state as opposed to the powers of a decentralised state. The issues raised by this episode are not simply fiscal, they are also constitutional.

Kenneth Baker

The reviewer is Conservative MP for Mole Valley.

ECONOMIC VIEWPOINT

Post-money world on our doorstep

By Samuel Brittan

A week in which the whole world has been waiting for a Federal Reserve meeting may seem a surprising one in which to express doubts on the power and importance of central banks. Some contrary souls may, however, suspect that just when an institution seems most triumphant, history will subsequently show that it has passed its zenith. The serious point is that the monetary system over which the central banks preside is changing so radically that eventually there may be little room for their present functions.

It is indeed time to sit up and take notice when such a thesis is put forward not just by outsiders and free-banking fanatics, but by two serious and sophisticated economists from the Central Bank of Ireland. They are F.X. Browne and J.P.C. Fell (shortly to move to the European Monetary Institute). Their paper is entitled Inflation – Dormant, Dying or Dead? (Central Bank of Ireland, POB 559, Dublin 2). Their thesis is that "the newly-liberalised financial markets can render impotent monetary policy actions that are ostensibly inflationary". Moreover "over a much longer future horizon, payment system advances, already realised or in the pipeline, could push capitalist economies into a new post-monetary world without money or inflation".

The authors are adamant that inflation has up to now been caused by excessive expansion of the money supply. They explicitly reject structural, real economy, explanations of the kind put forward by Roger Bootle in an HSBC Greenwell paper. But unlike conventional monetarists they envisage the defeat of inflation, not by controlling the money supply, but by establishing an economy in which money as we now know it has ceased to exist. Readers who are suspicious of my gloss should refer to the original.

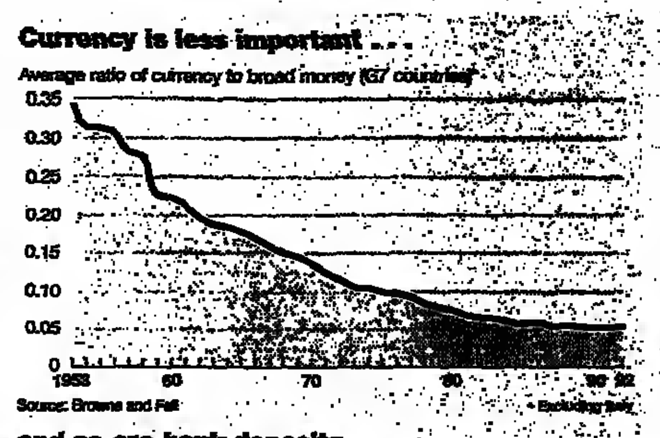
● The first and most familiar part of the thesis is that the bond market is becoming the arbiter of monetary policy. The authors argue that the bond market will itself tighten policy by pushing bond prices down and yields up at the slightest whiff of an inflationary threat. I have myself argued that the bond market can be and often is wrong and that central bankers should not follow it blindly in setting short-term rates.

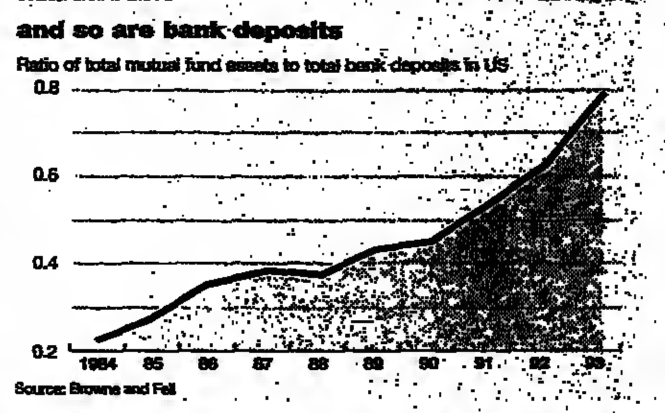
The novelty of the Irish paper is the suggestion that borrowers will no longer be able to bypass the bond market by borrowing short term at officially determined interest rates. Bank depositors who regard bank interest rates as too low in view of likely inflation will quickly move into longer-term securities, thus forcing up the whole yield curve and closing off the option of borrowing cheaply at excessively low interest rates. They also suggest that past bond market overshooting and undershooting reflect hypersensitivity to inflationary developments, which will no longer make sense in the new post-monetary world.

● The second and still reasonably familiar part of the Irish thesis turns on "securitisation". This ungainly word refers to the tendency to borrow and lend to a greater extent via bonds, equities or other securities, which can be bought and sold in the markets, and thereby to bypass the banking system. The authors argue that central banks will find it more and more difficult to exercise leverage on interest rates through the influence of their operations on the commercial banks, because the latter will become less important.

● Third, because of financial liberalisation, the spending of both households and companies is becoming much less determined by either immediate income or money in the bank, than by wealth. Put more simply, people are more and more able to borrow their way out of temporary squeezes and insure against future shocks. Expenditure will in the end be limited only by wealth – which like most economists they define as the discounted total of expected future income streams. The Irish authors draw from this development the implication that money is just the most liquid form of wealth; and boosting or restricting its supply will become pointless as people will simply use other assets or borrow from each other.

● Fourth, and most radically, the authors suggest that cash will dwindle in importance and may eventually disappear. Currency and bank balances with central banks together make up what economists used to call cash. "Electronic money" may eliminate the need for both types.





Why do banks hold balances at central banks? Basically because such balances are default free. Such perfectly safe assets are essential when net settlements are made with other banks at the end of a working day, as some risks are being run. But in the brave new world there will be "Real-Time Gross Settlement". What this ugly piece of jargon means is that each transaction between banks will be settled instantaneously and the creditworthiness of the partner verified simultaneously. When this occurs banks will avoid tying up assets in central bank balances paying minimal interest rates.

Standard of value will be divorced from payment means and may be a basket of goods

● A parallel development at the retail end is "Electronic Funds Transfer at Point of Sale". Customers will have debit cards which can be drawn down as they shop. Not only will these be cleaner and more theft-proof than notes and coins; there will be no technical reason why interest should not be paid on balances in credit.

● Fifth, and most far-reaching, when electronic money has gone far enough, the way will be open for the disappearance of money as a means of exchange and the settlement of all transactions in assets such as mutual fund shares. Such shares are not redeemable into dollars, sterling, marks, yen or Ecus. They are claims on the equities or bonds, asset-backed securities, commercial paper and other assets in which the funds have been invested. Their value depends on the value of these underlying assets.

● Sixth, the result will be, it is argued, a standard of value in which prices can be set and long-term contracts denominated, divorced from the means of payment. The Irish authors suggest that values will ultimately be measured in terms of a unit account defined in terms of a basket of goods.

Before dismissing the Irish picture as fanciful, look at the many existing developments pointing in that direction. The growing influence of the bond markets on monetary policy does not need to be laboured. Securitisation has become a cliché. The buoyancy of UK domestic demand, in spite of large tax increases, suggests that expenditures are indeed becoming less constrained by income and cash flow. The technology for electronic banking already exists. Currency has become a much smaller part of the money supply; and, in the US, money market mutual funds have shot up to become nearly as large as bank deposits. One central banker remarked to me that the present very low growth of broad money would have been a pointer to recession in any previous period.

The controversial part of the Irish thesis is not the move towards a cashless and policy-immune economy, but that the process will be benign. The authors have, for instance, only a couple of throwaway sentences on how the suggested basket-based unit of account will be created and maintained.

The trend towards a post-monetary society will not solve the policy problems of the Federal Reserve or the Bank of England while it is only a trend. Indeed, the Irish authors warn that during the transition, monetary policy may only be able to operate by driving financial markets "against solvency constraints". Nevertheless a view of the possible destination must surely help. For policymakers need to think both about the problems of the transition and how to see that the emerging new monetary world is brave as well as new.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Politics, not control, behind UBS proposal

From Mr Klaus Gottschlich and Mr Philipp Meier-Scherling.

Sir, Much has been written about Union Bank of Switzerland's proposal to convert its registered shares into bearers ("UBS holders urged to reject change", November 15). However, the discussion in the UK as well as in the US misses some important points.

The row between UBS and BK Vision, its single biggest shareholder, may on the surface look like a contest for control. It is in fact a struggle with a highly political background. UBS's managers claim to have obligations to society which prevent them from maximising shareholder value. The fact that UBS's managers are willing to sacrifice profits in order to meet the demands of various "stakeholders" may seem odd to Anglo-American investors and lend support to BK Vision's opposition.

We have recently talked to Dr Martin Ebner, president of BK Vision, about his views on corporate governance. We would point out that Dr Ebner, while acting as a trustee for his own shareholders, has also adopted measures to entrench himself outside the influence of the stock market. Furthermore, he has left no doubt that he wants to use his voting power in public companies as an instrument to influence Swiss politics.

Bearing in mind, for example, his hostility towards European integration of Switzerland, investors cannot be sure BK Vision will always stand for shareholders' interests.

For institutional investors it may be tempting to support BK Vision in its bid to block the proposed simplification of UBS's capital structure. However, this is little more than a problem of a shift in control. As long as Swiss law allows discrimination against foreigners, the creation of differential voting rights, the introduction of voting limitations, and the like, there will be no market for corporate control worthy of its name.

The real issue is whether UK and US investors want to be excluded in the future from control of Swiss companies in which they have invested. If this is the case let them vote for Mr Ebner. If not, they should start to fight for capital structures that allow competition for the resources of a public company at all times. Mr Ebner will not do this for them, as he has nothing to gain from such action.

How long do Anglo-American investors want to sit idly by watching Nestlé, Sandoz, Roche and others use international markets for corporate control, while at the same time being denied the gains from mergers and takeovers in Switzerland?

Klaus Gottschlich,
Philipp Meier-Scherling,
Routes des Préalpes 44,
CH-1723 Marly,
Switzerland

Many failed by planning

From Mr Henry Marks.

Sir, Your leader, "Planning for higher prices" (November 10), fails to take into account the millions of people, including the elderly, the disabled and families without access to private transport, who are being disadvantaged by the proliferation of out-of-town superstores.

The independent small corner shop plays a crucial role for these citizens and they would be the first to lose out were we as a nation to follow lemming-like the American way of shopping.

America now suffers from the "doughnut" effect, namely everything on the outskirts with very little, if anything, in the middle.

Rather we should follow the Japanese example where planning permission is not given for a large retail development without a vote being taken first among the local business community.

It may be the case that these superstores are immensely efficient, clean, with a wide choice of goods and services to hand. However, once the superstores have killed off the competition it may just be that quality will go down and prices will go up.

Henry Marks,
environment chairman,
Federation of Small Businesses,
140 Lower Marsh,
Westminster Bridge,
London SE1 7AE

Complacency about escalation of debt

From Ms Ann Pettifor.

Sir, Barry Riley (Weekend Money, November 12/13) is a little too complacent about the indebtedness of poor countries. "Most of such countries," he says, "have been allowed to renege on the bulk of their debts and are now at various stages of a third world economic boom."

This is unfair and untrue. Because of what Keynes called "the magic of compound interest", because of high real rates of interest, and because of unfavourable exchange rate movements, every single month between 1982 and 1990 – every month not year – the poor of the south paid the rich north $12.5bn. This is as much as the entire third world spends on health and education combined. Interest arrears on long-term debt owed to official creditors has risen from $126m at the beginning of the 1980s to more than $10bn today, and more than half of the debt owed by poor countries to the Paris Club now consists of capitalised interest.

Over the period 1993-1996 poor countries are scheduled to pay an average of US$41bn a year to their creditors – most of them rich OECD governments. This is two to five times as much as they were able to pay in 1992.

Of growing concern is the stock of debt owed by developing countries to the International Monetary Fund and World Bank, which has risen faster than any other type of debt. It tripled from $98bn in 1982 to $304bn in 1992. Furthermore, there is no mechanism for the rescheduling or reduction of this debt.

Translated into ability to pay, Africa is more debt-distressed than any other developing region. Its debt has spiralled from $8.4bn in 1980 to just under $200bn now. This is equivalent to 110 per cent of Africa's entire income.

The Debt Crisis Network, an alliance of 40 organisations working in, or linked to, developing countries, has welcomed the chancellor's recognition of "the unsustainable debt burden" of the poorest countries. We only wish that his concern was shared by columnists on your newspaper, so that your readers may not all be rudely jolted out of complacency by the next debt crisis.

Ann Pettifor,
Debt Crisis Network,
c/o Christian Aid,
PO Box 100,
London SE1 7RT

Some upgrades are more equal than others

From Ms Jill Jones.

Sir, I was not surprised to hear of Kim Fairweather's experiences with BA (Letters, November 12/13). I have been a regular business traveller with BA for many years, and I am also a silver tier member of the frequant flyer programme. I also have never been offered an upgrade. I have even had to pay to upgrade, when my male travelling companion has been offered a free upgrade.

This discrimination does not only apply to upgrades. My male colleagues frequently receive vouchers or bottles of wine when they complain about re-routings or bad service. All I get is an obsequious letter, not explaining the problem, and stating how much they value my custom. BA is like the curate's egg – good in parts – but for the female business traveller, the good parts are increasingly hard to find.

Jill Jones,
Thatched Cottage,
Wainhill, Chinnor,
Oxfordshire OX9 4AB

From Dr Paul Marett.

Sir, With regard to airline upgrades, I do not fly very frequently. However, I am a regular first class traveller on British Rail. I should be annoyed if, when I had paid a considerably higher fare for first class travel, standard class passengers were "upgraded" to any empty seats without extra payment.

Paul Marett,
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FINANCIAL TIMES

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Thursday November 17 1994

Controlling Euro-fraud

Too much beef, too much grain, and now too much fraud. The European Union's institutions, particularly its Common Agricultural Policy, have generated a mountain of corruption to stand beside the other piles of unwanted commodities. The question now is whether the fraud can be curbed as long as those policies remain.

This week, the Court of Auditors, the EU's financial watchdog, accused the European Commission of failing to take fraud seriously. Its 484-page report is the latest in an increasingly impassioned series from European and national organisations.

Each tells the same story of fraudsters frolicking through Europe's complex rules for disbursing funds, particularly those for agriculture and infrastructure. Large sums have been paid for non-existent wheat and for substandard olive oil. Cartloads of sugar, cattle and sheep have been smuggled across borders and re-imported to earn subsidies.

Agriculture has proved particularly troublesome because the CAP allows identical products to be sold at very different prices or to earn different subsidies on either side of increasingly porous national borders. Its complexity also facilitates fraud within a country: "set-aside" requires detailed monitoring of each farm.

Meanwhile, member states have a disincentive to uncover fraud by their citizens, given the embarrassment that follows, and the risk that their governments will then have to pay compensation.

There are signs that the public is increasingly irritated, but no signs of corresponding outrage in Brussels. Beyond doubt, member countries should give more thought to the practicalities of enforcing policies before passing them. But the Commission also needs to find better tools for enforcing those which already exist.

It could apply more vigorously a sanction it has sometimes wielded in the past: withholding payments from member states which cannot demonstrate good management of agricultural funds. It could also enforce existing community regulations that require member states to penalise individuals who misuse funds. It could, too, increase the potential penalties that governments face; at present, governments can be forced only to pay back the misappropriated money.

One more ambitious route is also worth considering: requiring countries to contribute part of the agricultural programme's costs. A UK House of Lords committee reported this summer that EU structural programmes suffered less from fraud than agricultural schemes. It suggested that this is because countries must contribute to structural projects themselves and so have an incentive to manage the money well.

Ideally, the EU would not be burdened by programmes, such as the CAP, that invite fraud. But even if they do remain, the option not available to the Commission is to allow the scams to continue. Eventually that will bring all EU programmes into disrepute.

Irish principles

The fate of the Irish government should not affect the search for a peaceful settlement in Northern Ireland. All coalitions carry the seeds of disunity. The alliance between the traditionally nationalist Fianna Fail and the more modern-minded Labour Party is no exception. Always fractious, it seems, for now, to have ended.

Mr Albert Reynolds, the prime minister, spent yesterday in a dramatic and ultimately unsuccessful fight for his political life. The government's fall is, however, a domestic matter, confined to the Irish republic. What is important beyond those borders is that the ceasefire holds, while the perpetrators of violence are drawn into the democratic process.

This should be possible whoever is in charge in either Britain or Ireland. The statement by Mr Martin McGuiness of Sinn Fein that a change of government in Dublin would be "very, very unhelpful indeed" should be rebutted. Sinn Fein, the public face of the IRA, must rid itself of the habit of hinting that it may not be possible to maintain the ceasefire if this or that condition is not met. Such threats are unacceptable if its protestations of peaceful intent are to be taken seriously.

That said, no new constitutional settlement for the island of Ireland is likely to last without the backing of Fianna Fail, either as the leading partner in a coalition or in some other role, even if that has to be exercised from the opposition benches. Mr Reynolds, the party's leader, has acknowledged that the claim in the Irish constitution to the six British provinces must be rephrased to allow for self-determination by the people of Ulster. All mainstream Irish parties accept this, but an amendment drafted or backed by Fianna Fail would be much surer to pass, than one emanating solely from a government headed by the more anti-republican party, Fine Gael.

There lies the rub. Too republican a flavour to any proposed amendment could lead to the rejection of any parallel constitutional package put before the northern electorate. Too unionist a flavour, and Irish nationalists might say No. It should be remembered that the Downing Street declaration, issued jointly by Mr Reynolds and Mr John Major last December, commits both governments to the principle that the right of self-determination must be exercised separately by the electorates of north and south.

If the IRA understands that this leaves it nothing to gain by restarting its murderous campaign this declaration will prevail, whatever may happen to its authors. Even when a framework constitutional agreement has been published, the road leading to a general acceptance of its terms, or something like them, is likely to be long. Negotiations in Ireland are rarely speedy. There has never been, nor could or should there be, a guarantee that Mr Reynolds or, for that matter, Mr Major would remain in office long enough to see the process through to its hoped-for conclusion.

Safety first

Mr John Major is quite right to make the passage of the European Community (Finance) bill a matter of confidence. He could not remain prime minister if he did anything less. His undertaking to contribute to the enlarged European budget was given with the cabinet's support. As Mr Major said in the Commons yesterday, there is no room for compromise. He was, of course, addressing the rebels within his own party.

Labour must now decide whether its support for the European Union overrides the temptation to vote opportunistically in the hope of staging a coup. The likelihood that such a piece of theatre might succeed is small. Few Conservative Eurosceptics are willing to topple their own administration. The handful that might be so minded is outnumbered by Ulster Unionists who support the Tories. The Liberal Democrats might not vote with Labour. In sum, the balance of risk favours the prime minister.

A similar risk assessment has dictated the government's legislative programme for the coming session. Here too the watchword has been caution: there is clearly no stomach for the prospect of facing backbench rebels down on substantive matters such as the privatisation of the post office. The unavoidable bravado over the European finance bill apart, the motto is "safety first".

This may be no bad thing. The actions of a parliament are best judged on grounds of quality. The quantity of new bills should be kept low. The speech delivered by the Queen at the opening of Parliament yesterday contained a smaller package of proposals than has become customary since 1979. Few if any are radical or dramatic. In the debate following the speech the leader of the opposition found little to quarrel with in any of the prime minister's specific proposals. This revving down of the pace of law-making may be derided in Westminster as "consolidation" but, beyond the small circle of everyday politicking there may be a more positive response.

As the chancellor of the exchequer is fond of saying, what the public wants is a period of good government. There is no evident demand for ever-increasing amounts of hasty and therefore botched legislation. It will be possible to assess specific bills when they are published, but at first reading a list that includes pensions reform, a tidying-up of the health service bureaucracy, mini-privatisations of the Crown Agents and the commercial parts of the Atomic Energy Authority and a disability rights law is welcome – although the latter may be too watered-down to be useful.

A period of low-key government might benefit the Tories. Unemployment has fallen for the 10th consecutive month. Inflation is steady, around the mid-point of the 0-4 per cent target range. A faster than advertised reduction in public sector borrowing seems likely, offering a potential justification for tax cuts in the 1995 Budget. Mr Major's fortunes may yet improve, if only accidents will stop happening to his government.

Japanese business is hoping for monetary relaxation under a new central bank governor, says **Gerard Baker**

A tough act to follow

In a deserted Tokyo, at midnight, a huddle of people gathered last week for an out-of-hours announcement. Mr Yasuo Matsushita, a former bureaucrat and commercial banker, had been selected as Japan's next central bank governor.

The late-night timing could hardly have heightened the interest in the appointment: few are the Japanese businessmen and financiers who have not hoped for a softening in monetary policy with the ending of the dramatic tenure of outgoing governor Mr Yasushi Mieno.

The current restructuring of the Japanese economy owes much to Mr Mieno's vision, and the slowness of the recovery something to his discipline. He moved to curb the unbridled growth of the 1980s, and has since held to a policy designed to squeeze Japan's corporate sector.

Mr Matsushita's task will be to steer the economy through the fallout from this process: refining the balancing after the overhaul. Such an agenda is unlikely to prompt a change of course on the scale witnessed by Mr Mieno, but it may prove as controversial.

When Mr Mieno took office five years ago Japan's wild financial party of the late 1980s was at its high point. Financial liberalisation, rapid economic growth and easy money had given birth to a bubble economy.

What began as an explosion in land prices, in cramped conditions of tight supply and ballooning demand, had quickly spread to embrace equities, bonds, and even golf-club memberships. By the time of Mr Mieno's accession, land prices had risen fivefold in a little over three years, and the stock market had tripled in four.

Appalled by the lack of financial control, Mr Mieno, something of an ascetic said never to have bought a share in his life, acted quickly to burst the bubble. Within three weeks he had cut financial sector liquidity and over the next 15 months he raised the discount rate five times, taking it from 2.5 to 6 per cent by the end of 1990.

The recession that followed proved the most serious in Japan since the second world war. Share prices collapsed by more than 50 per cent in four years, and land prices fell by up to 70 per cent.

As domestic demand fell, corporate Japan was hit by overcapacity. The rise in the yen, prompted by rising interest rates, the large and rising current account surplus and a slowdown in Japanese overseas investment, led to declining demand in export markets. The underlying inefficiency of much of Japanese industry was exposed.

The central bank responded to the recession with increasingly urgent cuts in interest rates, taking the official discount rate to a record low of 1.75 per cent last autumn.

In the year since, the first signs of sluggish recovery have emerged, with the economy expected to expand by about 1 per cent this year, accelerating slowly thereafter.

But the weakness of the recovery presents the new governor with a challenge as difficult as the one that faced his predecessor: he must find the right mix of monetary policy to meet an exacting set of demands. In addition to the usual need to sustain non-inflationary growth, policy must deal with the continuing financial consequences of the collapse of the bubble – corporate indebtedness and the banking system's bad loans. It must also address the longer-term transformation of the economy into an efficient, deregulated market system.

So far under Mr Mieno, the bank's approach has been a surprising one – a gentle tightening of monetary conditions. Since July, overnight call rates have been allowed to drift upwards – from 2 per cent in July to 2.3 per cent last week.

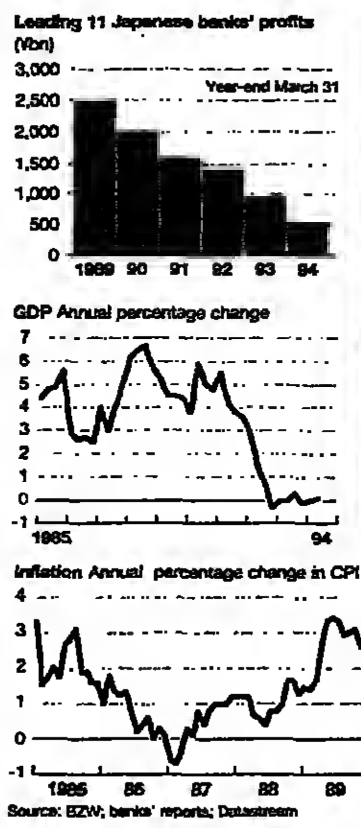
"Since the summer the bank has moved gradually to tighten liquidity, which has pushed up short-term interest rates," says Mr Richard Werner, chief economist at Jardine Fleming in Tokyo.

Many economists are puzzled by the bank's tactics. If the slow upturn had been accompanied by the merest hint of inflation, monetary tightening would have been comprehensible. In fact the opposite has occurred. The recovery is so weak that it has failed to counteract the prevailing deflationary forces at work. Wholesale prices are falling at a rate of 2 per cent a year and consumer prices are stable.

So the bank's tightening, though gentle for the moment, seems unnecessary. The risks associated with it also appear to be unbalanced. There is an infinitesimal risk of inflation if policy is relaxed, but a significant risk of renewed economic slowdown if policy is tightened. Confronted with this choice the bank has elected to tighten.

Mr Toshio Koyano, economist at DKB Research in Tokyo, says: "The BoJ's move in the past few months has been premature – restraining monetary growth now carries a risk of endangering the recovery."

Japan's monetary policy: a softening ahead?



Source: BZW; banks' reports; Datastream

Yasushi Mieno
Outgoing central bank governor

Most central bankers have a weakness for what Lord Healey, chancellor in the last British Labour government, called sado-monetarism. But in the Bank of Japan's case, there seems to be a more rational explanation for the strategy, based on Mr Mieno's increasingly bullish view of economic prospects. The bank's official judgment is that the economy is "in the early stages of recovery", a much less cautious view than one espoused by other public bodies.

Believing this, the bank's behaviour has differed in this cycle from its policies in previous cycles. In the last two recessions of the 1980s, interest rates were still allowed to fall even after the output gap – the difference between actual output and potential output – had started to narrow. Interest rates began to ease upwards only when inflationary pressures had clearly returned to the economy.

This time, the bank is tying monetary policy to its perception of the performance of the real economy, rather than price levels. It has acted to raise interest rates as soon as the output gap has started to close – even though inflation is falling.

The bank "has placed overwhelming emphasis on the pace of economic recovery – not inflation – as the key policy determinant," explains Mr Feldman, chief economist at Salomon Brothers.

The reason appears to be that the bank is determined to use monetary policy to promote the restructuring of the economy. The long recession and the rise in the value of the yen have forced companies to begin to reduce the overcapacity produced during the bubble. According to Mr James Vestal, chief economist at Barclays de Zoete Wedd in Tokyo: "By allowing the economy to work through the excesses of the second half of the 1980s on its own, the bank will ensure that the momentum for deregulation, restructuring and change remains intact."

Mr Matsushita may wish to follow the policy of squeezing the corporate sector. But as former chairman of Sakura, a bank with one of the largest portfolios of bad loans, he will be more aware than most of the significant risk of a crisis in the financial sector.

Japanese banks have not moved quickly to rid themselves of the problem loans collected in the bubble years. The leading banks have made provisions of just Y3,000bn out of as much as Y30,000bn. Years of sluggish economic growth, however cathartic for manufacturers, would be difficult for the banks, for which it means weak demand, continuing asset problems and poor profitability.

Worse, the present monetary tightening is potentially ruinous for them. Already the upward drift in short-term rates has pushed up banks' funding costs. As interest rates rise, banks' interest costs rise more quickly than their income, because of the structure of their assets and liabilities. That is already putting pressure on margins and will limit further their scope to dispose of bad debts.

Financial markets are speculating that Mr Matsushita, with his direct experience of the banking sector, might adopt an easier monetary policy to assist the banks.

But more likely, the other, longer part of his experience – as a bureaucrat in the finance ministry – will incline him towards a middle course. Macroeconomic policy is likely to be geared towards restrained growth to maintain the pressure on corporate Japan, while banks will be nursed back to health by micro-management.

"The focus will be on case-by-case problem solving of particular banks' balance sheet problems," says Mr Jesper Koll, of JP Morgan in Tokyo. "The governor will act as a hands-on manager of these issues. Interest rate policy will not change for the time being."

The implications of that strategy are far-reaching. Policy will not be dictated by the fear of a banking collapse. Instead, some banks may be allowed to fail if they do not represent a risk to the banking system. Mr Matsushita will need to draw on all the credit that his years in the banking sector have given him if he is to achieve that.

Europe must show will to compete

PERSONAL VIEW

For an employee or manager "competitiveness" – like "restructuring" – can send nasty shivers down the spine. If you are neither, however, it is a subject that can make your eyes glaze over with boredom.

Since most European politicians have not worked in – or managed – companies, this may explain why Europe's competitiveness has steadily declined over the past 20 years, with little being done about it. In fact, quite the opposite: laws have been introduced – and continue to be introduced – whose effect is to erode Europe's competitiveness even further.

However, there are now some encouraging signs of change. The economic recession of the past three years has forced companies, national governments and the European Commission to look for the causes of decline and to prescribe remedies. As a result, "competitiveness" is high on the political as well as the business agenda.

Even so, there remain a number of causes for concern:

● As we emerge from recession, the political will to carry out the fundamental structural reforms necessary to restore competitiveness may evaporate.

● With the notable exception of Unice (Union of Industrial and Employers' Confederations of Europe), nobody is talking about the size, the cost and the burden of the state in Europe's economies. Until that problem is recognised and tackled, we shall continue to suffer a heavy disadvantage vis-a-vis our main industrialised competitors.

● Europe's most ambitious strategic plan in favour of competitiveness – a genuine single market – is on the back burner, and, according to reports, no heavyweight commissioner volunteered to assume responsibility for making it work.

● The essential corollary of competitiveness – a strict competition policy – is being applied without the necessary rigour and determination. State aids continue to be authorised too easily by the Commission, in many cases to the detriment of just those companies that have undergone the painful process of restructuring.

● The legislative programmes of the German presidency and of the European Commission still include measures which, collectively, can do grave harm to European competitiveness – such as proposals for directives on CO_2 and energy tax, on withholding taxes on savings, on parental leave, on atypical work contracts, on the reversal of the burden of proof in discrimination cases, on the posting of workers.

The corollary of competitiveness – competition policy – is being applied without rigour

A further cause for concern are the measures missing from the legislative programme. For example, proposed directives designed to eliminate double taxation in the single market or introduce loss consolidation across national frontiers are stuck in the European Council and have made no progress for more than three years. Without these, the single market can only be a shadow of itself, just as it will be until we have a workable European company statute to simplify administration and accounting practices which currently must conform to 12 separate regimes.

But if there is uncertainty about whether the Commission, the Council and national governments have it in them to reverse present trends, the talk, at least, is encouraging. The Delors white paper of December 1993 on growth, competitiveness and employment contained many parallels with Unice's own well-received studies of European competitiveness presented earlier this year to the Commission and to the EU summits in Brussels and Corfu. The Delors paper recognised the importance of competitiveness as the essential precondition for economic growth and job creation.

In September the Directorate for Industrial Policy, under Commissioner Martin Bangemann, published an important paper on industrial competitiveness which unequivocally states that it will not be possible to restore growth and consolidate economic revival in Europe except through competitive, efficient and innovatory industry.

The German presidency of the European Union has now appointed the Molitor Committee to identify what laws and regulations at both national and EU level should be simplified or abolished in the interests of efficiency and competitiveness.

Firm action is still lacking, however. Meanwhile, capital is highly mobile. Investors will choose markets where prospects are best.

Yet it is well within our power to restore European competitiveness. As President Woodrow Wilson said in 1912: "While competition cannot be created by statutory enactment, it can, in large measure, be revived by changing the laws and forbidding the practices that killed it."

Zygmunt Tyszkiewicz

The author is secretary general of Unice

OBSERVER

Cold turkey for Tories

■ Sad day tomorrow for Glaxo's shareholders as Sir Paul Girolami finally steps down from the helm of the UK drugs giant. Tory treasurer Lord Hambro could also be forgiven for feeling a mite upset since Girolami's going will almost certainly leave a gaping hole in the Tories' bank account.

Under Sir Paul, Glaxo bas been a substantial donor to the Conservatives, giving £550,000 since 1985 when he became chairman. He justified the largesse as being in the best interests of shareholders. But Sir Colin Corness, the part-time Bank of England director who will take the Glaxo chair, begs to differ.

An outspoken critic of corporate donations, he has not yet had a chance to discuss the issue with Glaxo's other directors. He doesn't take over till May. But the Tories are bracing themselves for the worst unless Lord Howe, a Glaxo new boy, can save the day.

Stonewalled

■ *Talking of Lord Howe*, the former chancellor of the exchequer posed a pertinent question at yesterday's Sunday Times/KPMG Budget luncheon at the Mansion House. When was the last time anyone engraved an interest rate in stone?

Howe's observant eye bad spotted a block of apartments near London's Camberwell Road called "The Four Per Cent Industrial Dwellings Association". He could not miss it, he said, because the rate was engraved on the face of the building – erected less than 90 years ago. The 4 per cent was meant to impress investors seeking high yields – rather than borrowers looking for cheap mortgages.

But Howe did not sound at all optimistic about the future employment prospects for stonemasons. Surely the Bank of England could do with a bit of fettling up in the interim?

Prime timing

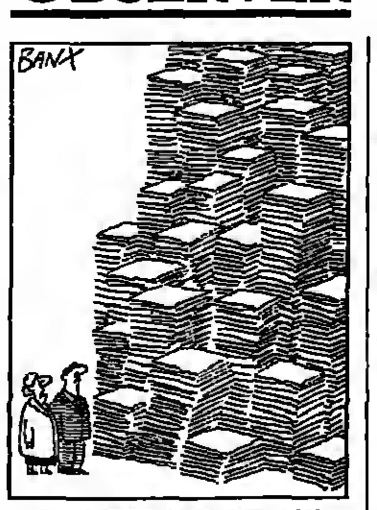
■ Not a peep so far from Canada's Big Five banks. When US banks lift their prime lending rates, as they hsve this week, their Canadian counterparts aren't usually backward in coming forward.

Bank economists can find any number of technical reasons, mostly to do with interest-rate spreads, why the Canadian banks won't be following suit just yet.

But Observer's not fooled. The banks' year ended oo October 31 and their reporting season begins next Tuesday. Several are expected to announce record profits. Royal Bank of Canada, for instance, is set to become the first Canadian bank to earn more than C$1bn.

Having long struggled to overcome a reputation as corporate fat cats, the last thing the banks want is to be seen, through a rise in the cost of lending, to be upsetting the small businessmen they are keen to woo.

But . . .once the results season is over, the profit motive is sure to come back into its own.



'It's a fraud report mountain'

Hopping mad

■ An appealing feature of Japanese life looks like biting the dust. Because of an increase in under-age boozing, the government bas politely suggested to brewers that they stop selling beer from their 140,000 street vending machines. Nobody lightly ignores government suggestions – even politely expressed ones.

The five leading brewers will decide what to do soon. They will probably meekly bow heads and shuffle offstage – after all, the machines represent a mere 7 per cent of sales. But over-age drinkers will mourn the disappearance of these oases. Not only is vending machine beer always chilled, however hot the weather, it also comes in a range of sizes, from a one-gulp can up to two litres, enough to slake the biggest thirst.

Free ride

■ Good news for MPs rushing to list their outside interests for fear of being caught up in the row over sleaze. It seems there is no need to register those free trips to Paris on the newly-opened Eurostar tunnel rail link. Apparently since every MP was offered the trip it does not count as a declarable interest. The moral is clear. It is perfectly acceptable to bribe our representatives st Westminster as long we hribe them all.

Mark of faith

■ *An extrema case of coals to* Newcastle? The Pope was yesterday presented with copies of the gospels by Walter Veltroni, the trendy Italian ex-communist and now editor of what used to be the party's daily organ, L'Unità. The slim volumes are being distributed with the paper both as a promotional exercise and to underline just how *post*-communist Italy's left has become. Veltroni, now a leading member of the former communist Party of the Democratic Left, is the first PDS member to be received by the Pope. No Pope ever agreed to meet members of the Italian Communist Party. The gospels really do bring good news.

Stinkeroo

■ AXA, the French-based insurance group, wants to expand internationally but may have a prohlem doing so. The name was originally chosen partly so it would be st the top of any alphabetical list of its sector and partly because it was short, symmetrical and easy to turn into a logo.

But in Japan, where the company started operations this summer, AXA spparently means: "It stinks". Memorable, anyway.

Foolgood factor

■ Camelot, the operator of the UK's National Lottery, says it's "absolutely delighted" with ticket sales of about £7m a day. How to contain the auphoria over the next seven years as it moves towards its £32bn target?

Easy. To reach that figure Camelot will need to average not £7m but £12.5m in sales every day of the year.

FINANCIAL TIMES
Thursday November 17 1994

Marine rights row leads to fear of war between Nato neighbours

US cruiser tracks Greek and Turkish contingents

By Kerin Hope in Athens and John Barham in Ankara

A US Navy cruiser was yesterday monitoring Greek and Turkish naval activities in the Aegean, where fears of war have been triggered by the start of a new international law.

The United Nations Convention on the Law of the Sea has been hailed in Athens as a vindication of its long-standing argument that it has the right to extend its territorial waters from 6 miles to 12.

Turkey has said that any such move by Athens would turn the Aegean into a "Greek lake" and would be resisted by force. Greece says it has no plans to extend its territorial waters, but it will not renounce the right to do so. An opinion poll published this week showed that 79 per cent of Turks would support war if Greece declared a 12-mile limit.

The quarrel dates from an offshore oil strike west of the Greek island of Thasos more than 20 years ago. The Athens government rejects Turkish proposals for joint oil exploration in the Aegean.

The Cape St George, a US cruiser equipped with the latest electronic surveillance devices, was yesterday tracking Turkish warships and Greek aircraft across the Aegean.

President Bill Clinton has written to the leaders of both countries urging them to show restraint and avoid the risk of clashes.

Mr Mumtaz Soysal, the Turkish foreign minister, said Ankara has assured Mr Clinton that it had taken all possible measures to avoid a clash. Mr Soysal met Mr Karolos Papoulis, his Greek counterpart, in The Hague this week, but there was little sign of a change in positions.

Turkey wants across-the-board negotiations on all the issues which it says are in dispute. Greece says the only issue that needs discussing is that of seabed mineral rights, which it wants settled by international arbitration.

Relations between Athens and Ankara have also been worsened by the war in former Yugoslavia, where Turkey supports the Bosnian Moslems while Greece has traditional links with the Serbs.

Turkey was the only European member of Nato to support the US withdrawal from the arms embargo against Bosnia. Recently, Turkey gave a new thrust to the old antagonisms by accusing Greece of harbouring guerrillas from the separatist Kurdistan Workers party (PKK) fighting in eastern Turkey.

The US Navy, in this year's annual intelligence report, described the Greek-Turkish standoff as one of the "most worrisome situations developing in Europe and the most dangerous to Nato as an institution".

The report says tension in the Aegean has also been stoked by supplies to both countries of new and secondhand ships from other Nato countries. Diplomats said they were alarmed that a hot-line between the two countries, set up after they came close to war in 1987, had ceased to function.

Turkey is conducting its manoeuvres this week in international waters in the northern Aegean. About 100 miles to the south, the Greek navy is in charge of a Nato exercise held every year involving ships and aircraft from the US, France, Italy, Spain and the UK.

Major threatens Tory rebels with poll over EU levy

By Philip Stephens in London

Mr John Major acted swiftly yesterday to quell a revolt among Euro-sceptics in his own Conservative party by staking his administration's future on a bill allowing higher UK contributions to the European Union.

The prime minister startled MPs at the state opening of parliament by warning that legislation to implement an agreement struck two years ago at the EU's Edinburgh summit was "inescapably a matter of confidence".

The advance warning that a particular measure in the legislative programme was sacrosanct is unprecedented in recent times. It leaves Mr Major with no option but to call a general election if it is defeated or substantially amended.

The government will publish the bill within the next few days and Mr Kenneth Clarke, the chancellor of the exchequer, wants the crucial Commons second reading debate to be held before his November 29 Budget. It might complete all its parliamentary stages before Christmas.

The signs last night were that most of those who had threatened to oppose any increase in payments to Brussels would now fall into step. But a group of about half a dozen refused to back down publicly.

The decision to pre-empt a revolt, which overshadowed the announcement in the Queen's Speech of a low-key legislative programme for the next year, was denounced by opposition parties as a panic move to disguise Mr Major's weakness.

The Speech included plans for nearly 20 bills, ranging from reform of pensions law to abolition of regional health authorities and the construction of a high-speed rail link to the Channel tunnel.

Mr Tony Blair, leader of the opposition Labour party, said the government had run out of steam. He added: "It has surely come to something when a government can only secure the passage of its own legislative programme by threatening its own demise."

Mr Blair and Mr Paddy Ashdown, the Liberal Democrat leader, support the principle of an agreement which would increase Britain's contributions to Brussels by an estimated £250m a year by 1999.

But Labour will seek to amend the legislation to reflect its opposition to the Britain's social chapter opt-out. Mr Blair indicated also that if defeat for the legislation meant a general election, Labour might well vote against it without damaging its pro-European credentials.

Mr Major insisted: "There is no room for compromise on this bill."

Major makes Europe an issue of confidence, Page 11
Editorial Comment, Page 21

Ukraine approves treaty to abandon nuclear weapons

By Matthew Kaminski in Kiev

The parliament of Ukraine, the world's third-largest nuclear power, yesterday ratified the nuclear Non-Proliferation treaty by a wide margin. The vote closed a chapter in the country's hesitant progress towards abandoning nuclear weapons inherited from the Soviet Union.

The long-awaited decision looks set to improve Ukraine's often-strained relations with the west and Russia. It is also a significant victory for President Leonid Kuchma a week before his summit with US president Bill Clinton.

Ukraine will formally accede to the treaty as a non-nuclear state once it receives assurances from the US, the UK, France and Russia about its territorial integrity. The four nations will meet at next month's summit of the Conference on Security and Co-operation in Europe in Budapest.

Ukraine's ratification is also crucial because Moscow and Washington have been delaying carrying out the first and second strategic arms reduction treaties until Kiev approved the NPT.

Ukraine gave up its nuclear arsenal in January under an agreement signed with Russia and the US in exchange for about $1bn in nuclear fuel supplies and disarmament assistance. Parliament ratified the Start-2 treaty in February and the NPT was the last step.

The conservative parliament spent three years hedging on ratifying NPT, and many nationalists and communists still view nuclear weapons as Ukraine's last bargaining chip.

But Mr Kuchma told parliament yesterday that, as a former director of a missiles factory, he found the argument for keeping a nuclear deterrent an illusion cherished by "false patriots".

Although Ukraine inherited 176 intercontinental missiles and 41 strategic bombers, Moscow controlled the launch codes and Kiev lacked both the technology and financing to properly store the weapons or gain control.

Clash over airline state aid

Continued from Page 1

only "under exceptional circumstances, unforeseeable and external to the company".

A Brussels official said the new version was in line with the "one time, last time" policy on state aid that governs efforts in Brussels to liberalise the airline industry by 1997.

However, Mr Oreja said assistance could be justified to restore an airline to financial viability after "circumstances beyond the company's control".

THE LEX COLUMN

Laughing gas

Last year British Gas was fighting tooth and nail to preserve its domestic monopoly; yesterday it welcomed the promise in the Queen's speech to abolish that monopoly. The main reason for the change of heart is that Gas has convinced ministers to create a level playing field when the market is opened to competition. A demonstration of the new approach will come today when Gas announces price rises for late-paying customers but discounts for prompt payers. Without such differential pricing, rivals would have been able to concentrate on profitable prompt payers, leaving Gas with lossmaking late payers.

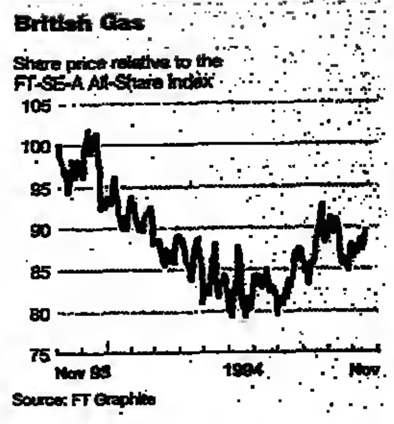
Of course, when the monopoly goes, Gas's market share will fall, but the decline is unlikely to be rapid. If the development of competition in the telecoms market is anything to go by, a largish discount will be needed to convince customers to switch. But given that all operators will face roughly the same charges for wholesale gas and transportation – which account for the bulk of total costs – rivals will struggle to undercut Gas. The new competition will also give Gas an added incentive to cut costs. Yesterday's better than expected third-quarter results show the restructuring programme is already containing costs; in coming quarters they should start to fall.

More worrying for investors is next year's review of Gas's transportation price cap. The risk is that the regime will be tightened. But there are opportunities too. The regulator is considering replacing the price cap with a mechanism for sharing excess profits with customers. That might lead to sharper falls in bills. But, if Gas also improved its performance, the *quid pro quo* would be higher profits.

FT-SE Index: 3146.5 (+11.1)

British Gas

Share price relative to the FT-SE-A All-Share Index



Source: FT Graphite

Soft commissions

Soft commission is something of a misnomer. Commissions are normally paid by the investor to the stockbroker, not the other way round. The practice of paying institutions "in kind" in return for a commitment to deal looks suspect, even if it is not illegal or necessarily unethical.

The obvious question is who benefits from the strange practice. Fund managers clearly do, as the benefits they receive reduce the costs of running an investment management business, and hence increase profitability. The benefits do not necessarily feed through to the client, who bears the dealing costs and the consequent impact on investment performance. It is likely that unnecessary deals are done on the client's behalf, at a higher cost than if orders were placed directly with a marketmaker.

New proposals from Imro, the fund management industry's watchdog, try to make a distinction between acceptable and non-acceptable kinds of "softing" – the latter of which would be banned. But this approach is likely to run into problems of definition. It also looks heavy-handed. Fund managers are already required to reveal their soft commissions to their clients, giving them an opportunity to object. Responsible fund managers are increasingly likely to boycott the practice, as Mercury Asset Management has done this week. If trustees of pension funds and their advisers fail to put pressure on managers to abandon soft commissions, they have only themselves to blame.

UK economy

If the chancellor had dreamt up the most favourable economic figures possible for the run-up to the Budget, they would not have been much different from those published yesterday. The UK appears to be enjoying rapid economic growth with little inflation.

Underlying inflation in the year to October was lower than expected, remaining at a 27-year low of 2 per cent. The sharp and politically desirable fall in unemployment might have indicated an economically worrying tightening of the labour market. But underlying wages growth remained unchanged for the fourth month at 3.75 per cent while unit wage costs continued to fall. Meanwhile, the public sector actually repaid some debt. That was partly because of £1.5bn of income from the last tranche of the BT share sale, but it was also thanks to an impressive increase in tax receipts. A strong improvement in corporate profitability helped these rise 14 per cent during the first seven months of the fiscal year. The figures were so good that some economists reduced their public sector borrowing requirement forecasts for next year.

With economic growth above trend, interest rates will eventually have to rise. But yesterday's benign data reinforce the view that there is no current need for an increase. The outlook for the markets is fairly positive. Lower-than-expected inflation and reduced public funding requirements should sustain gilts while equities should be buoyed by the strong growth of corporate earnings and dividends.

Unigate

Unigate's increase in its interim dividend was a tangible expression of the group's confidence in the future. The mild optimism contrasts with near panic before the new milk marketing regime took effect. Now that Milk Marque is two weeks old, price rises of 2p a pint appear to have stuck both in supermarkets and on the doorstep. The impact on Unigate's profitability is unlikely to be quite so dire as feared. Sensing this, shares in both Unigate and Northern Foods have risen sharply in the past fortnight.

The stock market reaction, however, underestimates the scale of the problems ahead. Unigate will not be able to recoup the full annual £40m increase in milk costs. Moreover, higher prices for home-delivered milk may accelerate the decline of this high-margin business. In the long run, Unigate will gain from sourcing more than half its milk from farmers operating outside Milk Marque. But, initially at least, this milk commands a premium price not yet offset by improvements in quality and reduced delivery costs. Unigate will obtain better prices if it acquires Dairy Crest, which would more than double its buying power.

Unigate will respond to the strategic challenges by implementing swingeing rationalisation measures, giving rise to an exceptional charge far in excess of the expected £10m hit to operating profits. This will arguably make the group fitter in the long-term, but now the shares' main attraction is the 6.3 per cent prospective yield.

FT WEATHER GUIDE

Europe today

Conditions will remain unsettled in western Europe. There will be rain in the morning over the Benelux and northern France, and showers will linger in the north. Temperatures will be slightly higher than the average for the time of year.

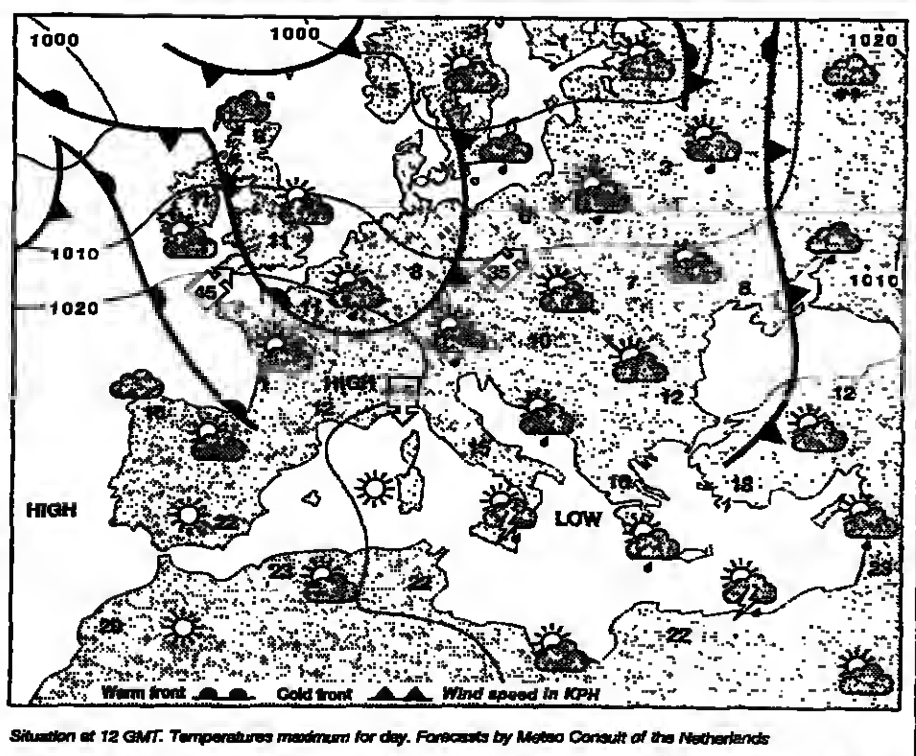
Heavy rain will fall in northern Ireland, Scotland and southern Scandinavia. Spain will have sunny spells, but cloud and rain will affect the north-western coastline.

South-eastern Europe will be unseasonably cool with temperatures below 10C in Romania. There will be heavy rain and thunder showers over southern Italy and the eastern Mediterranean. Conditions in north-eastern Europe will be chill and cloudy, with showers in the north. Conditions in Russia will become milder.

Five-day forecast

Wet and windy conditions will spread from the British Isles to the Benelux and northern France on Friday.

On Saturday, rain will fall in Germany and southern Scandinavia. Temperatures will nevertheless be higher than the seasonal average. Rain and thunder showers over the eastern Mediterranean will progress eastwards during the weekend.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius	
Abu Dhabi	fair	31
Accra	fair	32
Algiers	fair	21
Amsterdam	shower	11
Athens	fair	18
Atlanta	rain	18
B. Aires	fair	24
B.ham	cloudy	10
Bangkok	fair	35
Barcelona	fair	18
Beijing	fair	8
Belfast	rain	8
Belgrade	fair	10
Berlin	shower	9
Bermuda	cloudy	24
Bogota	shower	21
Bombay	cloudy	34
Brussels	shower	10
Budapest	cloudy	8
C.hagen	rain	7
Cairo	fair	23
Cape Town	sun	23
Caracas	shower	33
Cardiff	shower	11
Casablanca	sun	20
Chicago	fair	18
Cologne	shower	11
Dakar	sun	30
Dallas	fair	26
Delhi	sun	28
Dubai	fair	32
Dublin	shower	11
Dubrovnik	fair	17
Edinburgh	rain	9
Faro	sun	21
Frankfurt	shower	10
Geneva	cloudy	11
Gibraltar	sun	18
Glasgow	rain	8
Hamburg	shower	10
Helsinki	cloudy	-1
Hong Kong	cloudy	27
Honolulu	fair	31
Istanbul	fair	14
Jakarta	cloudy	32
Jersey	cloudy	13
Karachi	sun	34
Kuwait	fair	27
L. Angeles	shower	18
Las Palmas	fair	24
Lima	cloudy	22
Lisbon	sun	19
London	cloudy	11
Lux.bourg	shower	8
Lyon	cloudy	13
Madeira	fair	22
Madrid	sun	18
Majorca	sun	20
Malta	cloudy	21
Manchester	shower	11
Manila	fair	31
Melbourne	cloudy	21
Mexico City	fair	20
Miami	fair	28
Milan	sun	13
Montreal	sun	10
Moscow	snow	2
Munich	rain	10
Nairobi	thund	24
Naples	thund	15
Nassau	fair	26
New York	cloudy	12
Nice	fair	18
Nicosia	thund	18
Oslo	fair	2
Paris	fair	12
Perth	fair	30
Prague	shower	9
Rangoon	fair	34
Reykjavik	cloudy	1
Rio	cloudy	29
Rome	shower	16
S. Frsco	cloudy	12
Seoul	shower	15
Singapore	thund	30
Stockholm	cloudy	1
Strasbourg	shower	11
Sydney	rain	21
Tangier	sun	20
Tel Aviv	shower	21
Tokyo	cloudy	15
Toronto	sun	14
Vancouver	fair	5
Venice	fair	13
Vienna	cloudy	11
Warsaw	shower	8
Washington	cloudy	14
Wellington	cloudy	15
Winnipeg	snow	2
Zurich	shower	10

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday November 17 1994

IN BRIEF

Morgan Stanley profits drop 35%

Morgan Stanley announced a 35 per cent drop in third-quarter profits to $118m, as the Wall Street firm followed the rest of the US securities industry in reporting sharply weaker earnings. Page 25

JR East blames economy for light demand
East Japan Railway (JR East), the railway network whose shares were listed last year, reported a decline in profits for the first six months blaming the economic weakness for cutting demand for rail travel. Page 26

Winners and losers in Japanese broking
Foreign brokers operating in Japan saw a rise in revenue for the first six months to September thanks to a sharp rise in trading profits, in contrast to their Japanese counterparts, who suffered declines in stock commissions. Page 26

Casio makes strong jump
Casio, the Japanese manufacturer of watches and calculators, reported a strong jump in non-consolidated recurring profits – before extraordinary items and tax. Page 26

Tough times for Telmex
Telmex, the Mexican telecommunications monopoly, faces big questions after news that AT&T, the US communications group, would form a Mexican venture with Grupo Alfa. Page 25

Thomson expands in electronic publishing
Canada's Thomson Corporation is further expanding its electronic publishing business by offering to pay US$339m for Medstat, a Michigan-based group. Page 25

China turning to US for financing
China is likely to turn increasingly to the US bond market for external financing of its ambitious infrastructure programme, according to an International Monetary Fund survey. Page 27

Sandvik surges to SKr2.46bn
Sandvik, the Swedish cemented carbide and speciality steel group, doubled profits in the first nine months due to strong economic conditions in most markets. Page 24

Hambros hit by higher costs
Hambros, the UK merchant bank and financial services group, said it had no plans to cut staff despite a £23m ($37m) increase in costs which contributed to a near-50 per cent fall in interim profits. Page 28

Vosper advances 13%
Vosper Thornycroft Holdings, the UK warship builder and engineering group, increased pre-tax profits by 13 per cent. Page 30

WMI reveals Attwoods' hopes
Waste Management International, the London arm of WMX of the US, confirmed it hoped to buy Attwoods' UK businesses if shareholders rejected the hostile £364m ($598m) bid from Browning-Ferris Industries in favour of a break-up plan. Page 30

Capital may seek four regional licences
Capital Radio, the largest UK company in the commercial radio sector, said that it might apply for all four of the regional licences to be advertised by the Radio Authority. Page 28

Companies in this issue

Market Statistics

Chief price changes yesterday

NEW YORK ($)				
Rises				
Exxon	60⅛	+	⅜	
Gen Elec	46⅞	+	⅜	
Mobil	84	+	⅜	
Nat Gypsum	45¼	+	12¼	
Falls				
Citicorp	45⅜	−	⅜	
Chase Man	36⅝	−	⅜	
PARIS (FFr)				
Rises				
AGF	288	+	7.3	
Docks France	745	+	15	
Intertechnique	388	+	10	
SLIC	724	+	34	
Falls				
Elf	385	−	23	
Schneider	367.5	−	11.5	
TOKYO (Yen)				
Rises				
Yaskawa El	568	+	18	
Falls				
Brother Ind	654	−	15	
Fuchi Cons	530	−	25	
Minolta	480	−	14	
Nikon Const	850	−	22	
Pioneer	2360	−	150	

Frankfurt closed. New York prices at 12.30pm.

LONDON (Pence)				
Rises				
Cullens	104	+	8	
Camden	293	+	15	
Dares Estates	11	+	4½	
Dickie (J)	170	+	8	
Everest Foods	69	+	13	
Fisher	218	+	8	
GKN	642	+	17	
Gen Accident	574	+	9	
Hambros	225	+	13	
Smith (DS)	321	+	13	
Unitech	93	+	4	
Warburg (SG)	671	+	24	
Wolseley	790	+	19	
Falls				
Channel Hldgs	46	−	6	
Eurotunnel	277	−	12	
Land Sec	595	−	17	
Towry Law	88	−	44	
Walker (JO)	305	−	20	
Westle Storage	362	−	11	
Young & Co A	463	−	12	

National Gypsum faces $940m offer

By Tony Jackson in New York

National Gypsum, the second-largest US maker of plasterboard, has received a $940m bid from a North Carolina-based investor group led by the investment company Golden Eagle Industries. The head of Golden Eagle, Mr C. D. Spangler, has been non-executive chairman of National Gypsum since February.

National Gypsum said the offer had come as a surprise, and that the board had not had time to consider it. Golden Eagle first bought into the company on its emergence from bankruptcy last October, in conjunction with the large French building materials group Lafarge Coppée. Both took a 10 per cent stake, with Golden Eagle's holding since rising to 19 per cent and Lafarge Coppée's remaining unchanged.

Golden Eagle said it had offered Lafarge Coppée the opportunity to participate in the takeover, under the terms of an agreement struck at the time of the initial investment. Lafarge Coppée, which also expressed surprise at the announcement, has yet to respond.

Golden Eagle said it would have as equity partners in the bid First Union Corporation and NationsBank Corporation, both of North Carolina. The offer price of $43.50 per share is 33 per cent above the previous day's close. National Gypsum's shares rose $12.25 to $45 in early trading.

The offer is the second attempt to take National Gypsum private in recent years. The first, a $1.6bn management-led buy-out, ended in collapse in 1990 as a result of recession in the US construction industry. Lafarge Coppée, an investor in the buy-out, had by the time of the bankruptcy taken its stake to 50.1 per cent, beld at arm's length through a trust as a means of avoiding liability for the company's dabt and liability for asbestosis claims. The French company, which has a seat on tha board of National Gypsum, bought its stake for $19 per share.

Market analysts in Paris discounted the possibility that Lafarge Coppée would make a counter offer. "The scale of the offer that would be required, something in excess of $1bn, suggests this is the least likely scenario," said one.

Since emerging from Chapter 11 a year ago the company has traded profitably, with net earnings of $56.5m on sales of $463m in the first nine months of this year. It has 24 per cent of the US plasterboard market, compared with 33 per cent for its larger rival, USG.

At the time of National Gypsum's bankruptcy, a trust fund was set up to cover its liabilities for asbestos claims. In recent weeks, the trustee has suggested further payments may be necessary, which National Gypsum disputes. A spokesman for the bidder said "the acquiring group recognises that dispute exists, and the offer is conditional on it satisfying itself [on the facts]".

Exxon signs Indonesia gas field accord

By Patrick Harverson in New York

Exxon, the US energy group, has finally reached agreement with the Indonesian government to develop the giant Natuna natural gas field in the South China Sea.

Under the terms of the deal, Exxon will share the cost of developing the largest natural gas field in south-east Asia with the state-owned Indonesian oil and gas company Pertamina.

Industry experts, however, believe that tha cash-strapped Pertamina will be unable to fund its share of tha development costs, and that a third partner – possibly Mobil of the US – will be asked to join the project.

Mobil said yesterday that it would be pleased to be invited to join the the Natuna development, but it had not been approached by either Pertamina or Exxon.

Natuna will be the largest ever natural gas development project undertaken by Exxon, and if demand for gas in the Asia Pacific region is strong enough, could involve the group spending as much as $40bn over the next 30 years.

Before work begins on engineering, infrastructure development and platform and pipeline construction, Exxon must secure market outlets for the gas product.

It will immediately start marketing the gas to Japan, North and South Korea, Taiwan and other countries in the region.

The laval of demand will determine the scale of the development, said Exxon. It estimates that production will not begin until after the year 2000.

For Indonesia, the signing of the contract between Pertamina and Exxon should ensure that the country remains the world's largest exporter of liquefied natural gas over the next few decades.

In recent years production at other Indonesian gas fields has begun to decline, and a report by the World Bank last year attached "critical importance" to the development of the Natuna field for the future of the country's natural gas industry.

The agreement to start work has taken years to secure. The massive scale and complexity of the development project, and reported differences between Exxon and the Indonesian government over the terms of the deal, has consistently delayed an agreement.

Last month an unexpected decision by Indonesian politicians to place restrictions on legislation that granted special tax breaks to investors in certain important industries threatened to derail the deal.

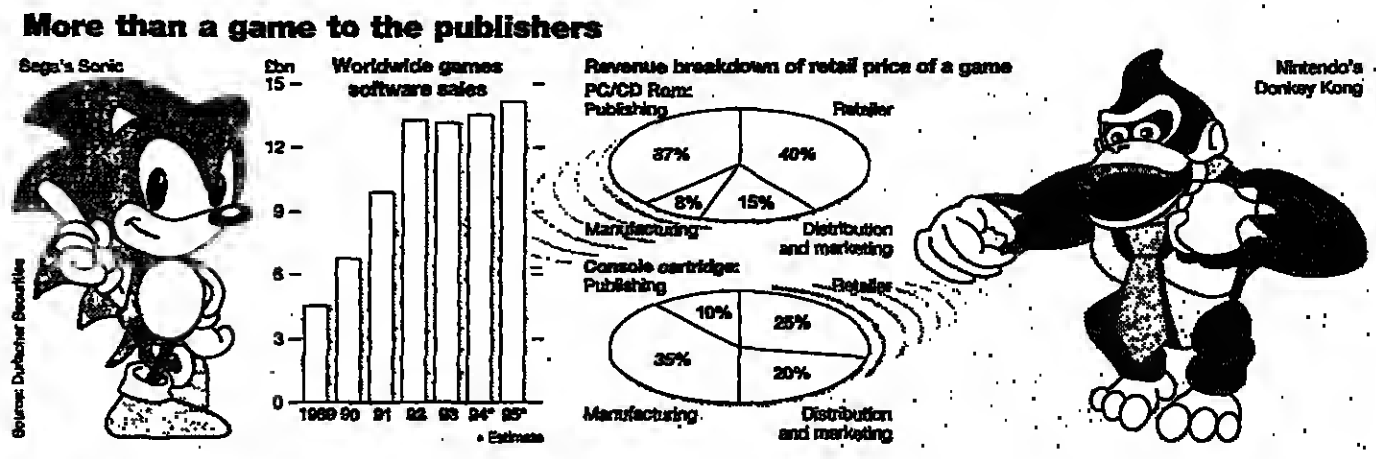
If demand allows the Natuna field to be fully developed, the project will require the building of 18 offshore platforms and the drilling of more than 200 production wells, which would at full capacity produce about $15m tonnes of liquefied natural gas per year.

The project's costs will be high because Natuna is located in deep water far offshore and because of the technical difficulties of separating the natural gas from the carbon dioxide.

Gas from the field will ultimately be transported by a 200km-pipeline to Natuna Island, where it will be processed into liquefied natural gas.

A new format is set to revive the market, writes **Alice Rawsthorn**

More than a game to the publishers



Games junkies hold out for a more powerful hit

Japan's computer games junkies have for months been awaiting the launch of two products – the Sega Saturn and Sony PlayStation – which are about to arrive in the shops as the first of the new generation of games.

The Saturn and PlayStation are examples of the 32-bit, compact disc-based machines that the industry hopes will revitalise the £14bn ($23bn) video and computer games market by replacing the 16-bit cartridge consoles that have dominated for the past decade.

The games market, one of the fastest-growing consumer sectors of the late 1980s and early 1990s, has slowed sharply over the past year. Sega, the Japanese company behind Sonic the Hedgehog and which vies with Nintendo for leadership of the global games market, last week announced a steep fall in interim profits and confirmed that it was on course for a further profits fall this year. The industry is now waiting to see wbether the new 32-bit machines will reverse the decline and stimulate sales.

Until last autumn the games industry had known nothing but growth. Sales of games software rose rapidly from £4.5bn in 1989 to £13.2bn in 1993, according to Durlacher, tbe London securities house. Sega and Nintendo saw their profits – and share prices – soar despite economic recession.

The industry's difficulties began last autumn when news broke that the leading games makers were developing 32-bit and 64-bit hardware to deliver more sophisticated sound and images than their old 16-bit cartridge consoles.

Only one company, Atari of the US, was ready to launch the new format and tt did not have enough capital to market the machines effectively. Sega, Nintendo and Sony admitted last autumn that their products would not be ready for at least another year. The industry was left in limbo as games enthusiasts were reluctant to buy new software for the 16-bit consoles that they already considered obsolete.

Meanwhile, the rise of the yen against other currencies hit Japanese exports, notably to North America and Europe. Mr Frank Herman, deputy chairman of Sega Europe, estimated that western European games sales fell 25 per cent over the past year.

All the big games companies stepped up their product development plans to try to rush out the new machines. Sega and Sony are now shipping the Saturn and PlayStation to stores in Japan in time for Christmas.

Nintendo this week unvelled the Virtual Boy, a 32-bit portable virtual reality machine, and its most ambitious new product, the Ultra 64, a 64-bit machine, will be launched next autumn.

Mr David Tabizel, multimedia analyst at Durlacher, is confident that the new products will regenerate the market. He forecasts a modest increase in software sales from £13.2m in 1993 to £13.5bn in 1994, with more robust growth over the next few years to £20bn by 1998.

The emergence of a new games format will herald a change in the industry's finances. The new disc-based games will be much cheaper to produce. It costs roughly 32p to manufacture a CD, against £10 for a cartridge.

Conversely, development costs are soaring as games players become more discerning and technology more complex. The first wave of 16-bit games were developed in the early 1980s by amateur technology buffs. By contrast Rare, the UK software house, employed a team of 48 graphic designers for 14 months to develop Donkey Kong Country, Nintendo's new 16-bit game.

This means that publishing (or the development and ownership of games software) has become increasingly profitable. Durlacher estimates that publishing absorbs 37 per cent of the retail price of a CD game, against 10 per cent for cartridges.

The increased importance, and profitability, of games publishing has already triggered acquisitions including Sony's purchase of Psygnosis; the takeover of Renegade by Time Warner, the US entertainment company; and the recent deal whereby Pearson, the UK media group that owns the Financial Times, paid £312m for Software Toolworks.

Mr Tabizel suspects that "the real beneficiaries of the new games boom will be the publishers. Some of these guys are millionaires already, but there's no shortage of suitors waiting to make them even richer."

Renault staff embrace sell-off as public shows less enthusiasm

By John Ridding in Paris

The partial privatisation of Renault, the Frencb motor group, was in strong demand from the company's workforce and institutional investors but was lesa enthusiastically received by the public.

Mr Edmond Alphandéry, the economy minister, said that the public offer drew 1.09m private investors and was 1.4 times subscribed. It was fewer investors than previous issues in the French privatisation programme, which have attracted between 1.9m and 3m subscribers.

According to Mr Alphandéry, comparisons with previous issues are misleading because the state is retaining control of Renault with a stake of just over 50 per cent of its shares.

"It was a partial privatisation, which tends to limit investors' interest," he said. Industry analysts added that demand from private investors was limited by the weakness of the Paris stock market and most privatisation stocks have fallen below tbeir issue price.

He added that the institutional tranche of the issue was 15.5 times subscribed. The offer for employees closed last night, but about 60 per cent of the workforce have applied for shares.

The partial privatisation is part of the government's plan to sell 21 publicly-owned companies.

Renault's flotation will bring almost FFr8bn ($1.5bn) to the state's coffers, taking proceeds from the sale of public sector assets to FFr60bn for the year, compared with a target of FFr55bn.

"Our mission is accomplished," said Mr Alphandéry.

Mr Alphandéry would not say if there would be more asset sales this year. Assurances Générales de France is prepared for privatisation, and the government is also set to invite industry offers for Groupe Bull, the loss-making computer manufacturer.

Many iodustry observers believe that the flotation of Renault shares marks a step towards the full privatisation of tbe motor groop. Mr Alpbandéry sought, however, to play down such expectations. "The sale of Renault is not on the agenda," be said.

Renault sbares saw healthy demand on the grey market yesterday, trading at more than FFr10 above the FFr165 paid by private investors.

Markets cautious on rate rise

By Philip Coggan in London and Lisa Branston in New York

World financial markets reacted cautiously yesterday to Tuesday's interest rate increase by the US Federal Reserve.

While a rise in US rates was no surprise, the increase of three-quarters of a percentage point was larger than had been expected. Markets appeared to be divided between those investors who took heart from the US central bank's firm line on inflation and those who feared that further rate increases would follow.

"The rhetoric in the Fed statement had a clear-cut message that Mr Greenspan [the Fed chairman] is worried about economic strength and that interest rates must rise if inflation is to be contained," said Mr Keith Skeoch, chief economist at broker James Capel. "Greenspan's not ahead of the curve but he's catching up with the game."

Hopes that the rate rise would lead to a favourable reappraisal of US financial assets were largely disappointed. The dollar, whicb had rallied a pfennig against the D-Mark on Tuesday, failed to make further progress in European trading yesterday.

In New York, even news of a lower than expected rise in consumer inflation in October gave scant boost to equities or bonds in early trading. The benchmark 30-year Treasury bond fell around a third of point by lunchtime, while the Dow Jones Industrial Average was up just 5.05 points at 3,831.

While markets welcome the Fed's anti-inflationary stance, there is also concern that the six rises in interest rates this year will eventually slow the pace of corporate earnings growth.

European equity markets were weaker but held on to most of the gains made on Tuesday, before news of the rate rise. In London, tbe FT-SE 100 Index rose 11.1 points to 3,146.5, helped by news of lower than expected underlying inflation and a public sector surplus in October. Gilts also moved ahead as heavy volume in sbort sterling futures indicated that markets had reduced their expectations of the extent of future UK interest rate rises.

In Paris, the CAC-40 fell just over 0.2 per cent, while in Milan, the Comit index dropped by around 0.5 per cent. The German market was closed.

Lex, Page 22

Sandvik advances sharply in nine-month period

By Christopher Brown-Humes in Stockholm

Sandvik, the Swedish cemented carbide and speciality steel group, doubled profits in the first nine months due to strong economic conditions in most markets.

The figures, which jumped to SKr2.46bn ($339m) from SKr1.21bn, were helped by a lower depreciation charge and increased income from associate companies.

The better-than-expected result, after an excellent third quarter, helped lift the group's B share by SKr5, or 4 per cent, to SKr127.

Mr Clas Ake Hedstrom, chief executive, said demand in North America, Latin America and south-east Asia "continued to be high" while "order bookings in western Europe have picked up substantially following the turnround in Germany at the beginning of the year".

He expected continuing strong demand in the fourth quarter and higher full-year profits than 1993's SKr1.76bn.

Demand has been driven by the recovery in the automotive sector and the chemical and energy sectors have improved, said Mr Gunnar Batelsson, group treasurer.

He attributed the company's strong third quarter, when profits jumped to SKr986m from SKr245m, to demand and reduced holiday shutdowns at its main Swedish plant. The 1993 figures were hit hy SKr200m in one-off costs. Underlying nine-month sales were 13 per cent higher at SKr18.09bn, while new orders surged 19 per cent to SKr19.7bn.

The group's four main divisions all benefited from higher sales and earnings. High volumes and good productivity enabled the biggesl unil, cemented carbide, to lift earnings sharply to SKr1.56bn from SKr935m on a 13 per cent jump in sales to SKr9.8bn.

Speciality steel, the second largest division, lifted profits to SKr650m from SKr354m after benefiting from high capacity utilisation.

Depreciation was 2 per cent lower, partly due to write-downs made last year.

AssiDomän lifts profits forecast

By Christopher Brown-Humes

AssiDomän, the Swedish pulp and paper group, has raised its forecast for full-year profits for the second time this year, citing larger-than-expected price rises for many of its products.

The company, which ranks as one of Europe's top 10 forestry groups, says it expects 1994 profits to be hetween SKr1.8bn and SKr1.9bn ($248m-$262m), more than douhle last year's SKr876m level.

The latest upgrade came *after profits at the nine-month* stage reached SKr1.28hn, up 126 per cent from SKr568m a year ago.

Average selling prices for sawn timber, sawn timber products, kraftliner and pulp were all higher than during the same 1993 period. The increases reflect the recovery in the pulp and paper sector where demand is recovering sharply after a deep recession between 1991 and 1993.

The increase in demand for timber and pulpwood has had a heneficial impact on AssiDomän, which is the biggest private forestry owner in the northern hemisphere. Its forestry and timber division lifted operating profits 67 per cent to SKr939m as sales climbed 26 per cent to SKr3.7bn.

There was a strong performance from the Kraft products division, which swung to a SKr131m operating profit from a SKr70m loss. The packaging and carton divisions fared worse than last year.

Overall operating profits were 81 per cent higher at SKr1.44bn on a 13 per cent rise in sales to SKr12.3bn. The bottom line figure was influenced by lower financial charges to SKr159m from SKr232m.

AssiDomän, partially privatised earlier this year, recently announced plans to huy a packaging operation from fellow Swedish forestry group, MoDo, in a deal worth SKr1.2bn. Analysts expect further acquisitions from the group.

RJB Mining in British Coal move

By Michael Smith in London

RJB Mining, the UK coal company, has hid £914m ($571m) to wln the English regions of state-owned British Coal, it emerged yesterday.

It alms to raise £425m through a share issue and £628m through debt.

In presentations to potential investors, RJB and its adviser Barclays de Zoete Wedd, the UK securities house, are indicating thal they believe lbe debt can be cleared by 1998 when existing electricity contracts end.

RJB is predicting annual pretax profits of £220m by the turn of the century on turnover of £1.24bn. Profits will be £116m in 1995, £188m in 1996, £211m in 1997 and £186m in 1998.

The amount of money RJB, capitalised at £157m, needs to raise means that its projections will he studied with intense scrutiny by investors.

Many executives in the electricity and coal industries helieve the company, which bid more than 50 per cent higher than the nearest rival, is taking a highly optimistic view of markets, particularly after 1998.

RJB says in its presentation, copies of wbich have heen ohtained by the Financial Times, that it expects to sell about 34m tonnes of coal from the regions it is acquiring and sell it at an average of £1.32 a gigajoule at today prices.

RJB yeslerday refused to comment.

British Gas loss lower than City estimates

By Robert Corzine in London

British Gas yesterday turned in a hetter tban expected third-quarter performance as its corporate restructnring programme gathered pace.

The after-tax loss of £164m ($267m) on a historical cost basis was well below the £180m-£240m range predicted hy analysts. It was also well below last year's third-quarter loss of £225m.

British Gas usnally reports a loss in the third quarter, the period of lowest seasonal demand for natural gas in its main UK market.

The results coincided with the government's announcement that it would introdnce legislation in the current parliamentary session to lift British Gas's monopoly of supply for 18m households. Full liberalisation of the domestic gas market is due in 1998.

Mr Richard Giordano, chairman, said the corporate restructuring exercise to prepare the company for competition was ahead of schedule.

About 7,000 jobs were eliminated in the first nine months this year, he said. A total of 25,000 jobs will be shed over the next few years.

Operating profits for the nine months were £897m, np from £845m, on turnover of £7.06hn against £7.08bn. UK gas snpply profits rose to £594m from £515m.

The sale earlier this year of Bow Valley, the Canadian oil and gas exploration and prodnction company, helped cnt the nine-month net interest charge hy £70m to £197m.

The disposal of Bow Valley contrihnted to the fall of turnover in the exploration and production unit to £742m from £771m. Operating profits fell to £143m from £146m. Analysts said this reflected the relatively high cost of Bow Valley's prodnction. The division's remaining assets were lower cost and therefore more profitable.

Attributable profits for the nine months were £466m against £409m. Earnings per share were 10.7p, np from 9.5p.

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Not quite at the end of the road

Important challenges remain for Renault, writes John Ridding

Renault, lhe French motor group, will today end its journey to lhe Paris stock market. Its flotation has been a smootb ride, in spite of a cautious response from the general public, the principal target of the company's state shareholder.

Mr Edmond Alphandéry, economy minister, said retail demand for the shares, whicb saw the puhlic offer 1.4 times subscribed, was a good performance given the state keeps control of the group – a factor which he believes had dampened investor enthusiasm.

Mr Louis Schweitzer, Renault's chairman, expressed satisfaction with the operation, citing strong demand for shares from Renault's workers and from international institutional investors.

However, Renault is left facing some important challenges. In particular, Mr Schweitzer must develop the company's strategy, which was derailed by the collapse of plans to merge with Volvo at the end of last year. The question of the future shareholding structure of the motor group remains a point of uncertainty.

According to Mr Schweitzer, the flotation, and the fact that it has been accompanied with a FFr2hn ($361m) capital increase, will strengthen Renault's position in the international car industry.

Its financial position is healthy. The company was one of the few motor groups to endure the sharp recession in 1992 and 1993 without falling into loss. Mr Schweitzer confirmed yesterday that results this year should see a strong improvement ovar the FFr1.07bn in 1993.

The collapse of merger plans with Volvo has left a question mark above the company's industrial strategy. "For several years, this was the centre piece of Renault's thinking. The two companies were well matched in terms of geographical markets and in terms of products," says an industry analyst in Paris. "In particular, Volvo would have given Renault a strong partner in trucks."

For Mr Schweitzer the answer to the strategic question does not lie in another grand alliance. "We are not seeking a hig marriage," he said yesterday. Instead, the Renault chairman favours case-hy-case alliances, aimed at increasing geographical penetration and reducing costs in the joint production and development of components.

Renault already has such partnerships. It co-operates with Peugeot, its domestic rival, in the development of V6 engines. In July, Renault conclnded an agreement with Iveco, the truck-making division of Fiat of Italy, for the joint development of cabs. A project to develop gear boxes with Volkswagen of Germany is nnder way.

Mr Schweltzer has a free hand to pursue further agreements. "We could not do this while we were in the process of the flotation... but within the next few months we will start negotiations," he said.

Louis Schweitzer: 'Wa are not seeking a big marriage'

The Renault chairman does not go into details. Bnt there has been much flirtation with Mercedes-Benz of Germany. Mr Gérard Longuet, the former industry minister, made no secret of his desire for co-operative ventures between the two companies, while Mr Helmut Werner, chairman of Mercedes, described Renault as "a very attractive partner".

Partnerships are important, not just to strengthen Renault's position in a consolidating and fiercely competitive industry. The French government has described industrial alliances as a necessary condition for the full privatisation of the motor group, although Mr José Rossi, the new industry minister, has indicated this need not take the form of a grand alliance.

Few doubt that yesterday's flotation is simply a step in Renault's eventual privatisation. Mr Alphandéry said yesterday such an operation was "not on the agenda". But once presidential elections are out of the way next spring, the government may be encouraged to review a dossier rendered politically sensitive by Renault's status as a former trade union stronghold.

The centre-right government of Mr Edouard Balladur will also be encouraged by certain aspects of the partial privatisation. In particular, the healthy demand from Renault workers, 60 per cent of whom subscribed for shares, reduces the threat from trade unions which sought to block the flotation. International demand was strong, resulting in a subscription of more than 15 times the available shares for the institutional tranche.

"The international demand showed that France is seen as attractive as a manufacturing hase and that Renault is viewed as an attractive company," said Mr Schweitzer. His ability to forge alliances with international partners will help determine whather it remains so.

Générale des Eaux set to endorse Messier

By David Buchan in Paris

The succession struggle at Compagnie Géoérale des Eaux, the French utility, appears to be over. Next week's board meeting is expected to endorse Mr Jean-Marie Messier, a 37-year-old Lazard Frères investment banker, as heir to Mr Guy Dejouany, tbe 73-year-old chairman.

The only clear dissenter in the 13-man board remains Mr Jacqnes Calvet, the head of the Peugeot car group, who at the November 23 board meeting is expected to carry out his public threat to resign from CGE if Mr Messier is "parachuted" in at such a high level.

He said he did not doubt Mr Messier's ability nor his character but complained that the Lazards banker had nn industrial experience.

Mr Calvet's reservations were initially shared by a few otber CGE board members. However, they have since decided that to repudiate Mr Dejouany's strong desire to make Mr Messier his heir would provoke a boardroom row that the group conld ill afford.

Morocco completes withdrawal from SNI

By Richard Lapper in London

The Moroccan government yesterday announced the sale for about $190m of 51 per cent of Société Nationale d'Investissement (SNI), the holding company which has significant interests in a range of big local companies, to a consortium of local and overseas interests.

International investors have bought 16 per cent of the company's total equity, although two-thirds of these shares must be sold on the Casablanca stock exchange within the next three years.

Mr Alex Papadimitriou, associate director of Swiss Bank Corporation, which, along with Banque Pallas Stern, advised the government, described SNI as "the jewel of Moroccan state-owned companies".

The sale, which completes the government's withdrawal from SNI, is the largest to date in the Moroccan privatisation programme, itself the most significant in Africa and the Middle East. Banque Commerciale du Maroc led the consortium which completed the purchase.

The shares were priced at Dh425 ($48.90).

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Morgan Stanley profits drop 35%

By Patrick Harverson in New York

Morgan Stanley yesterday announced a 35 per cent drop in third-quarter profits to $118m, or $1.30 a share, as the Wall Street firm followed the rest of the US securities industry in reporting sharply weaker earnings for the latest period.

Like the rest of Wall Street, Morgan Stanley's revenues from its investment banking and trading businesses have been weak this year because of rising interest rates and a severe downturn in the US bond market.

Mr Richard Fisher, Morgan Stanley's chairman, said yesterday business conditions remained difficult, although he expressed confidence in the outlook for the firm's overseas businesses.

Net revenues totalled $910m in the quarter, down from the $1.03bn recorded a year earlier. The bulk of that decline was attributable to a 35 per cent drop in revenues from Morgan Stanley's investment banking operations, which have been hard hit by the sharp drop in demand from corporations for securities underwriting services.

The fall in investment banking revenues would have been worse, however, but for another strong showing from the firm's mergers and acquisitions department, which continues to benefit from the recent series of big deals among US and international corporations.

On the trading side, Morgan Stanley posted a 4 per cent rise in revenues to $297m, but the performance was not particularly impressive because trading in the same quarter of 1993 was hit by losses on mortgage-backed securities. In the second quarter a year ago, for example, the firm earned $517m from its trading business.

Revenues from trading in the latest quarter were also hurt by a rise in the cost of financing the inventory of bonds Morgan Stanley uses for its customer and proprietary trading business. This rise was evident in the 14 per cent increase in interest expenses during the quarter.

Among its other revenues streams, earnings from commissions were essentially flat at $104m, interest and dividend income was up 9 per cent at $1.7bn, while fees from asset management and administration services climbed 42 per cent to $95m.

The slide in overall revenues helped reduce Morgan Stanley's compensation costs, which fell 12 per cent to $460m in the quarter. Other costs categories were mostly little changed in the period.

Although the profits fall was expected, Morgan Stanley's share prices fell on the New York Stock Exchange, slipping $¾ to $62¼ in early trading.

Kidder disposes of mortgage bonds

By Richard Waters in New York

Kidder Peabody, the US investment bank, has disposed of a large part of its portfolio of complex mortgage-backed bonds. It has hired an outside firm to advise on the "management and orderly disposition" of the rest.

The bond sales mark a reversal of a plan announced in early October to transfer the bond holdings to GE Capital, another part of the General Electric group. Since then, General Electric has agreed to sell the bulk of Kidder's operations to another broking firm, PaineWebber.

Kidder's said its holdings of the securities, known as collateralised mortgage obligations (CMOs), now stood at $4bn, down from $6.7bn at the end of October. In March, before the company began its sales, the portfolio was valued at $16bn.

CMOs are complex derivative-type securities created from pools of mortgage-backed bonds. They have generally performed worse than other bonds as fixed-income markets have retreated this year.

Kidder, has hired New York-based investment firm Black-Rock Financial Management to advise on the remainder of the portfolio, but said it "plans to continue to own and manage the portfolio for the foreseeable future".

Thomson expands in electronic publishing with $339m deal

By Bernard Simon in Toronto

Canada's Thomson Corporation is further expanding its electronic publishing business by offering to pay US$339m for Medstat, a Michigan-based group which collects and analyses medical claims data.

The Medstat purchase follows Thomson's $465m acquisition of Information Access Company from Ziff Communications of California.

Electronic publishing is one of the fastest-growing areas of the publishing business. "Demand is ahead of the market's ability to supply," one Toronto analyst said yesterday.

Medstat, which is listed on Nasdaq, earned $7.4m in the year to September 30 on revenues of $64.9m, making the purchase price equal to more than five times revenues.

Some observers earlier expressed concern at the high multiple, about 3.5 times annual revenue, which Thomson paid for IAC.

Company officials told analysts earlier this week that they expected the IAC acquisition to pay for itself within 11 years, and to be worth at least two or three times the purchase price by then.

Medstat provides a number of services based on health-care data. They include databases supplied to government agencies and research groups, and claims information to large employers, insurance companies and others with an interest in holding down healthcare costs.

Thomson plans to make a cash tender offer for all outstanding Medstat common shares at $27 a share. Medstat's chief executive, Mr Ernest Ludy, who founded the company in 1981 and owns about 11 per cent of the stock, has agreed to tender his shares.

Medstat's senior managers have agreed to stay on after the acquisition.

Thomson was able to use cash on hand to pay for IAC. The Medstat purchase may require it to raise some debt, but the analyst said that "their debt-to-equity is not out of line, and they have to take advantage of the opportunities".

Repsol rises 16.6% after nine months

By Tom Burns in Madrid

Repsol, the Spanish state-controlled oil, gas and chemicals group which recently postponed a global offering planned for this year, lifted pre-tax profits for the first nine months by 16.6 per cent to Pta113.2bn ($88m) from the Pta94.5bn in the same period of 1993.

The company said its results reflected the domestic economic recovery as well as an improvement in its chemical division, an increased contribution from its gas division and better productivity. It added that the improvement in margins accelerated in the third quarter.

It said the strong performance in the chemical and gas units compensated for the downturn in the oil business.

Income from chemicals was up from Pta3.7bn to Pta10.7bn and by 23.1 per cent to Pta33bn in the gas division. Profits in Repsol refining and oil marketing division, however, fell by 3 per cent to Pta72bn and dropped by 29 per cent to Pta11.7bn in the exploration and production division.

Repsol lifted its gas profile earlier this year when Gas Natural, the dominant domestic gas distributor which is 45 per cent owned by Repsol, acquired Enagas, the big state-owned importer of natural gas.

Gas Natural has, as result, become the third biggest gas company in Europe and the virtual monopoly gas importer and distributor in the fast growing domestic market.

Government plans to reduce its 41 per cent stake in Repsol by as much as half towards the end of this year through a global offering were delayed because of the instability of the markets. The offering, however, remains first on the list of the Spanish state disposals planned for next year.

AT&T buys interactive computer games unit

By Louise Kehoe in San Francisco

AT&T, the US telecoms group, is to acquire The ImagiNation Network, an on-line computer service offering games and entertainment, in a move to expand its involvement in the emerging market for interactive multimedia services.

The move follows this week's announcement by Microsoft, the world's largest software company, that it plans a worldwide on-line services network offering information, communications and entertainment features.

AT&T, which previously held a 20 per cent stake in the ImagiNation Network, will pay about $40m for the remaining equity. The network is a fledgling California venture formed by Sierra On-Line, a computer games software developer, and General Atlantic Partners, a venture capital firm.

Sierra On-Line will continue to provide interactive games for the network as part of the sala agreement with AT&T.

Polygram kicks into rap groove with RAL/Def Jam stake move

By Alice Rawsthorn

Polygram, the London-based entertainment group, is expanding its US music interests by buying 50 per cent of *RAL/Def Jam*, the leading rap record label, for $33m.

The acquisition of Def Jam – which numbers some the world's most successful rap acts on its roster including Warren G., Public Enemy and the Beastie Boys – forms part of PolyGram's long-term strategy of increasing its music business in the US.

The Def Jam deal follows last year's $325m acquisition of Motown Records, the famous soul label. PolyGram, which is also one of the world's largest classical music record companies as the owner of Deutsche Grammophon and Philips Classics, has been steadily expanding its US interests since its 1989 deals to buy tha Island and A&M record companies.

Its expansion in the US has helped PolyGram, which also has extensive film interests and produced this year's runaway hit, *Four Weddings and a Funeral*, to sign up some of its successful European artists on a worldwide basis.

The Def Jam investment will enable PolyGram to become a force in rap, which has in the early 1990s been one of the most dynamic areas of contemporary music.

Rap started off in the mid-1980s as a cult phenomenon among young black Americans. In the early days it was dominated by small, independent record labels, including Def Jam which was founded in 1983 by Mr Russell Simmons in New York.

Def Jam is now one of the most commercially successful rap labels and Mr Simmons is regarded as a role model for the new breed of young black entrepreneurs.

PolyGram first forged links with Def Jam in June when its became the latter's US distributor and its licensee in other countries.

PolyGram has traditionally pursued a policy with its music acquisitions of assuming responsibility for issues such as marketing and distribution, thereby leaving the original executives to concentrate on working with existing artists and nurturing new talent.

Mr Simmons has signed a long term contract with PolyGram as has Mr Lyor Cohen, Def Jam's president and chief operating officer.

Mr Cohen yesterday said: "All we ever needed was a company to nurture us," adding that with PolyGram "finance, promotion, legal and distribution are covered and covered tight".

NEWS DIGEST

Champalimaud regains control of Portuguese bank

Mr António Champalimaud yesterday regained control of Banco Pinto e Sotto Mayor (BPSM), paying Es37.28bn ($289.9m) for 80 per cent of Portugal's sixth-largest bank 19 years after it was seized from his family in a wave of Communist-led nationalisations, writes Peter Wise in Lisbon.

The Champalimaud group bid Es1,528 a share for the 24.4m shares on offer in a privatisation operation on the Lisbon stock exchange. This was Es228 more than the only rival bid, from a consortium led by Banco Finantia, a Portuguese investment bank, and 45.5 per cent higher than the reserve price of Es1,050.

Mr Champalimaud, 76, said to be the wealthiest man in Portugal, acquired BPSM through Mundial Confianca, the insurance company that be also bought back after its nationalisation in 1975.

He fled Portugal after the 1974 revolution and rebuilt his business group in Brazil before returning to begin repurchasing his expropriated assets.

In January, the government rejected as too low an offer from Banco Comercial Portugués of almost Es14bn for 80 per cent of BPSM, in addition to guarantees of further investment. BCP said it might have increased its bid if it had been allowed to make a more detailed examination of the bank's liabilities.

The remaining 20 per cent of BPSM is to be sold later to employees and small investors.

TCI moves back into the black

Tele-Communications Inc, the biggest US cable TV operator, moved back into profit in the third quarter, helped by a contribution from Liberty Media, with which it merged in August, writes Tony Jackson in New York.

On sales up 23 per cent at $1.29bn, TCI suffered a 21 per cent fall in operating profit to $186m.

However, after a $101m contribution from Liberty and sharply lower tax, it made a net profit of 4 cents a share, compared with a 14 cents loss.

TCI said basic service customers had risen by 5.1 per cent over the past 12 months to 11.3m. However, cable companies' profits have been hit this year by government-imposed reductions in cable rates.

● TCI is withdrawing a planned $500m offering of preferred stock, due to difficult equity market conditions.

US company wins 51% of HungarHotels

American General Hospitality, a privately-held US company, has won an international tender for a 51 per cent stake in HungarHotels, Hungary's last state-owned hotel chain to be privatised, writes Virginia Marsh in Budapest. It outbid Intercontinental, the Japanese-owned international hotel group.

The State Property Agency, Hungary's privatisation body, said it hoped to close the deal for HungarHotels, which owned 15 hotels in Hungary, by the end of this month. American General is believed to be paying between $50m-60m for the stake.

The decision is a major blow for Intercontinental which now faces the possibility of having no presence in Budapest, one of central Europe's most visited tourist and business locations. It operates HungarHotels' flagship Hotel Forum through a local franchiser. Last year it lost the Duna Intercontinental, another top Budapest hotel to the Marriott group of the US.

American General operates its hotels through franchisers rather than under its own name. In the US it works with chains such as Marriott, Sheraton, Hilton and Holiday Inn.

The SPA said two fifths of the purchase price would be used for modernising HungarHotels' properties. A condition of the privatisation is that the new owner would not be allowed to sell any of the hotels for three years.

The SPA was advised by Credit Suisse First Boston, and American General was advised by Creditanstalt Securities.

Expense managers in expansion move

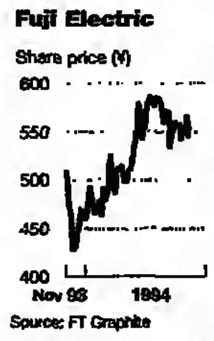
The Richbell Group, an international strategic investment company, has created what it claims to be the world's biggest integrated provider of employee cost management services, writes Tim Dickson in London.

The deal involved Richbell's subsidiary Harpur Group, an operator of corporate fuel charge-cards and fleet management services, buying Gelco Payment Systems for $65m. The transaction values the combined group, whose shareholders include the quoted investment trust RIT Capital Partners, at $223m.

Harpur operates corporate fuel cards under the Overdrive and Dialcard names, while Gelco's services include the outsourcing of accounting and employee expense claims in the US and Canada. The companies initially plan to expand in North America, the UK and Australia.

Fuji Electric forecast cut after steep decline

Fuji Electric



Source: FT Graphite

Fuji Electric, a leading Japanese maker of electric machinery, yesterday announced a steep decline in its consolidated recurring profits – before extraordinary items and tax – for the first six months to end-September, and a downward revision in its forecast for the full fiscal year, AP-DJ reports from Tokyo. Recurring profits were 28 per cent lower at Y3.73bn ($38.6m), against Y5.16bn a year ago, net profits were down 52 per cent to Y1.25bn from Y2.61bn and sales were 2.7 per cent lower at Y384.4bn against Y374.37bn.

For the full year, Fuji Electric has lowered its forecasts for consolidated earnings by about 10 per cent. Recurring profits are forecast to be Y13bn against an earlier forecast of Y14.5bn and last year's actual Y14.13bn; net profits are expected to be Y3.4bn (Y4bn and Y3.65bn); and sales are forecast at Y860bn (Y870bn and Y834bn). On the Tokyo Stock Exchange yesterday, Fuji Electric shares fell Y4 to Y546.

General Motors settles dispute with GE

General Motors said yesterday it had reached an agreement with General Electric to avert a threatened boycott by GM of GE automotive products, Reuter reports from Detroit.

Earlier, the Detroit Free Press newspaper had reported that GM had threatened to stop buying material if GE insisted on higher resin prices. Ms Linda Cook, a GM spokeswoman, declined to discuss details of the agreement but she said the company would work with GE to help reduce costs. "We believe we've reached an amenable agreement with GE that benefits their business as well as ours," Ms Cook said.

Tough times for Telmex as Mexico prepares to open market

Dominant position threatened as telecoms company faces increasing competition without a big partner, says Ted Bardacke

Telmex, the Mexican telecommunications monopoly, faces some big questions about its competitive position following last week's announcement by *AT&T*, the US long-distance communications group, that it would form a joint venture in Mexico with the Industrial conglomerate Grupo Alfa.

The AT&T-Alfa venture will offer telecommunications services when the Mexican market is opened to full competition in 1997.

AT&T, tha largast US long-distance carrier, had been widely expected to form an alliance with Telmex, creating an extremaly powerful team. Instead, the Alfa deal leaves Telmex without a big international long-distance partner.

The two other leading US long-distance carriers – MCI and Sprint – already have Mexican partners: MCI has a deal with Mexico's largest bank, Banamex, and Sprint is allied to the cellular telephone group Iusacell.

Telmex's dominant position in Mexico – where the long-distance market is expected to produce revenues of $20bn by the end of the decade – means its ability to generate profits in future years is not in doubt.

Yet analysts believe competition will cut Telmex's market share and operating margins.

The group's profits are almost antirely derived from long-distance charges, which are among the highest in the world. Its loss-making local service is subsidised by the long-distance side – even though Telmex has made great strides since its late-1990 privatisation to rebalance rates.

Competition will cut into Telmex's long-distance market share – by as much as 30 per cant in the first year alone, according to Baring Securities.

The impact of that loss will be softened by the growth of the long-distance market, which is expected to expand by at least 12 per cent and perhaps as much as 22 per cent annually for several years.

In addition, Telmex should be helped by a gateway agreement between Mexico and the US, its biggest international calling destination, governing the distribution of calls among carriers. Under the agreement, if Telmex is able to retain 75 per cent of northbound traffic it will be guaranteed 75 per cent of southbound traffic as well, no matter which carrier generates the call in the US.

Of more concern to Telmex is the expected fall in long-distance rates that competition will bring. Rates in the US have fallen by about 50 per cent since competition was introduced over a decade ago and many are predicting a similar drop in Mexico.

Mitigating this loss will be revenues Telmex will be able generate from charging third-party long-distance companies a fee for connecting their traffic with the basic local telephone network.

Mexican company	Overseas partner	Value ($bn)
Grupo Alfa	AT&T	1.00
Banacci (Banamex)	MCI	1.45
Iusacell	Sprint	*
GF Bancomer	GTE	*
Protexa	Motorola	6.00
Telmex	Southwestern Bell/ France Telecom	Ongoing

Mexican telecom deals. * not announced

The details of tha fee schedule governing interconnection are still being debated by the Mexican government and are unlikely to be announced until next year, making it impossible to estimate the earnings impact of increased competition.

"The regulatory scheme will resubsidise Telmex to some extent . . . probably through an interconnection or access charge," says Ms Bette Massick, a telecommunications analyst at S.G. Warburg. "We just don't know how big that subsidy will be, which adds to the uncertainty about exactly how profitable the company will be."

Ms Massick predicts that, unless there is some big regulatory surprise, Telmex's operating margin will fall from the high 40s to somewhere between the low teens to the low 30s.

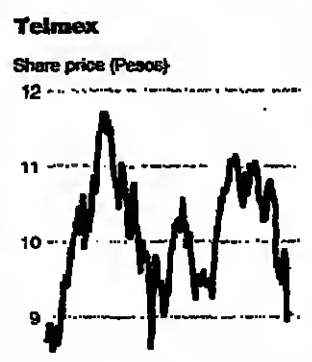
This prospect scares some Mexican officials who worry that a fall in Telmex's share price could depress the Mexican stock market as a whole. Telmex accounts for approximately half of the Mexican market's entire capitalisation.

Telmex's new long-distance rivals are likely to focus much of their attention on developing customised services for both business and residential users. Sprint-Iusacell and AT&T-Alfa are expected to target residential customers, while MCI-Banamex and a fourth big alliance, GTE-GF Bancomer, will initially focus on high-volume business customers.

It is in these specialised services where Telmex stands to lose by failing to link with a big long-distance partner. Neither Telmex nor its two existing international partners, Southwestern Bell of the US and France Telecom, have much experience in developing the sophisticated software platforms that support the customised billing services which help boost market share.

Indeed, analysts say that Telmex failed to strike a deal with AT&T because the US company felt Telmex was not well equipped to to deal effectively with the rash of new competition.

Telmex



Source: FT Graphite

AT&T would have found it difficult to be in charge of a joint venture with a company as entrenched at Telmex, but it is expected to run the alliance with Alfa, a company that has numerous ventures with other foreign companies, including Du Pont, Ford, BASF and Kawasaki.

Nevertheless, once the Mexican government defines the rules of telecommunications competition, Telmex will have considerable time to gear up for the challenge ahead.

If Telmex decides that it still needs to move defensively, it could make a takeover run at Alfa. GF Inbursa, the financial group of Telmex's controlling shareholder Mr Carlos Slim, has become Alfa's largest minority shareholder, collecting at least 15 per cent of Alfa stock over the past two years.

Procter cuts disposable nappy prices

By Richard Tomkins in New York

Procter & Gamble, the US consumer products group, yesterday said it was raising the prices of aome of its tissue products in the US by up to 8 per cent becausa of higher pulp prices, bnt simultaneously announced an 11 per cent cut in the price of its Luvs disposable nappies.

Tha company also said it was turning Luvs into a unisex product instead of having different types of nappy for each sex. It said the resulting cost savings, combined with higher volumes flowing from the price cut, should have a positive effect on profits.

Analysts say Luvs has about 13 per cent of the US disposable nappy market. Pampers, another Procter & Gamble product, has 26 per cent, Kimberly-Clark's Huggies 30 per cent, and the rest is taken by private label products.

Japanese boost for foreign brokers

By Emiko Terazono in Tokyo

Foreign brokers operating in Japan saw a rise in revenue in the six months to September due to a sharp rise in trading profits, in contrast to their Japanese counterparts, who suffered declines in stock commissions.

The Japan Securities Dealers' Association said the 48 foreign brokerage houses posted combined operating revenue of Y274bn ($2.78bn), up 18 per cent from a year earlier. The 215 domestic houses posted a 18 per cent fall in operating revenues to Y1,012.8bn.

Foreign brokers derive the bulk of their profits from derivatives trading, and rely less on stock commissions than the Japanese houses. The foreign houses posted a 31 per cent fall in combined recurring profits to Y23.8bn while operating profits fell 23 per cent to Y24.6bn. The Japanese brokerage houses posted combined recurring losses of Y85.2bn while operating losses totalled Y90.7bn.

Commission income at the foreign houses remained flat at Y128.9bn, while the domestic companies fell 11 per cent to Y806.4bn. Trading profits totalled Y53.2bn at the Japanese houses, down 62 per cent, while the foreign houses saw a 36 per cent rise in profits to Y101.2bn.

Meanwhile, Nomura Securities saw interim consolidated pre-tax profits plunge 84 per cent due to weak profits on bond trading at its overseas subsidiaries. The figure, based on US accounting standards, totalled Y8.7bn, while revenue declined 14 per cent to Y291.1bn. After-tax profits plunged 94 per cent to Y1.6bn.

Consolidated revenue from commissions fell 12 per cent to Y100.8bn, reflecting lower trading volume on the domestic stock market. Higher interest rates in the US hurt net gains on trading, which declined 39 per cent to Y21.3bn. Underwriting and distribution revenues rose 39 per cent to Y57.5bn.

Costs excluding interest expenses for the first half rose 2 per cent to Y211bn while interest expenses fell 8 per cent to Y71bn.

Half-time setback for East Japan Railway

By Gerard Baker in Tokyo

East Japan Railway (JR East), the railway network serving eastern Japan whose shares were listed just over a year ago, yesterday reported a decline in profits for the six months to the end of September.

The company said the weakness of the economy had cut demand for rail travel from both business and leisure travellers.

Recurring profits – before extraordinary items and tax – fell by 1.9 per cent to Y72.2bn ($735m), on turnover down by 0.7 per cent to Y988.7bn. Net profits fell by 1 per cent to Y37.8bn.

Revenues from sales of commuter season tickets were almost unchanged at Y253.3bn, with an increase in income from Shinkansen – the "bullet train" – passes offsetting a slight fall in sales of other season tickets. Non-season ticket sales fell by 1.2 per cent to Y615bn.

Property rental revenues rose 7.1 per cent to Y14.8bn, while train station retail outlet sales were up 0.4 per cent to Y23.5bn.

Expenditures were heavily affected again by interest costs. The company reported a slight fall in outstanding debt to Y5,010bn as of March 31 1994. The company's debts are mostly those incurred during a period of heavy losses when it was part of the nationalised Japan National Railways in the 1980s.

Even poorer prospects for the second half of the year forced JR East to revise downwards its forecasts for the full year to March 1995.

The company now expects pre-tax profits of Y101.5bn, compared with an earlier forecast of Y112bn and last year's actual pre-tax profits of Y114.9bn.

Turnover is expected to be around Y1,964.4bn, against an earlier forecast of Y1,968.2bn.

Study calls for exchange to clear OTC contracts

An international self-regulating exchange should be set up to clear many over-the-counter (OTC) derivatives contracts, recommends the winning entry in this year's Amex Bank essay competition.

The authors, Mr David Folkerts-Landau and Mr Alfred Steinherr, say an exchange or clearing house would help reduce credit risk and ensure liquidity in the OTC market, where two-thirds of transactions are conducted. They point to the success of clearing mechanisms at exchanges such as Liffe and the Chicago Board of Trade.

The essay, "The wild beast of derivatives: to be chained up, fenced in or tamed?" is one of two concerning derivatives among the eight prize essays published by Amex*, which announced details of the prize yesterday.

Both authors work with supra-national banks: Mr Folkerts-Landau is chief of capital markets and financial studies division at the International Monetary Fund; Mr Steinherr is director of the financial research department at the European Investment Bank.

They argue the development of derivatives has been "one of the most profound structural developments in financial markets since the organisation of limited-liability equity markets early last century."

Advances in data processing and communications technology, combined with developments in statistical and financial techniques, such as options pricing, have made possible the developments of a range of liquid derivatives markets. These have brought a range of long-term economic benefits, such as better pricing of financial risk.

However, they also point to shortcomings in the present regulatory, accounting and legal framework "that was designed for on-balance sheet finance".

Periodic balance sheet examinations – the focus of the traditional supervisory structure for banks – are ill-suited to deal with the speed with which both on and off balance sheet positions can change.

Recent efforts to improve regulation have focused on refining capital requirements, increased disclosure and more effective supervision. This approach – although a step in the right direction – does not come to terms with the basic issue – "namely that derivative finance . . . has fundamentally changed the relation-

DERIVATIVES

ship between regulators and institutions in favour of the industry," say the authors.

They argue that broader industry should learn from the way exchange clearing houses have ensured the financial integrity of trades in listed contracts by becoming a counterparty.

On the exchanges, credit risk is managed by marking positions to market and by effecting settlements through the payment of margin and netting arrangements.

By contrast, counterparties in OTC deals need not generally finance margin payments, so that banks and other intermediaries selling OTC products can be exposed to credit risk off their balance sheets.

To make matters worse the systems used by banks to measure their credit risks are sometimes opaque and difficult for regulators to police.

This lack of transparency raises the spectre of "precautionary withdrawals of funding from intermediaries that are perceived to be experiencing difficulties," the disappearance of liquidity, and the possibility of systemic disturbance.

In addition, the development of the derivatives market means market disturbances can be transmitted quickly to, and magnified in, other markets.

The authors argue that a clearing house arrangement for the bulk of OTC transactions – involving probably fewer than 20 contracts – would be feasible.

Although OTC products are typically regarded as offering customers greater choice and flexibility – with features such as strike price varying according to particular needs – the authors claim that three-quarters of the OTC market is made up of relatively simple "plain vanilla" contracts, such as interest rate swaps.

They estimate that if two-thirds of OTC transactions were routed through a clearing house, a maximum of $80bn of margin requirements would be needed.

"Most of this credit would end up on the balance sheets of the clearing banks so that off-balance sheet credit positions would become on-balance sheet credits." Moving derivative trading to an exchange would greatly improve market transparency and solve some financial disclosure issues.

Mr Andrew Freeman, whose essay "The future of finance: capitalism without owners" was awarded joint second prize, argues that "the coincidence of the globalisation of capital flows and the development of derivative instruments is undermining not only the basis of traditional financing regulation, but also of corporate capitalism."

Mr Freeman, a former Financial Times journalist now with The Economist, predicts that companies will issue new forms of financial securities – so-called "risk participations" – which will the rationale of the joint-stock company.

Richard Lapper

**Finance and the International Economy: The Amex Bank review: Oxford University Press £11.95*

Bangkok Land tumbles 83% at midway

By William Barnes in Bangkok

Bangkok Land, Thailand's second biggest property company, has reported a worse-than-expected 83 per cent drop in half-year net profits to Bt497m ($19.86m), compared with Bt2.9bn a year ago. Earnings per share dropped to Bt0.83 from Bt4.85. In the second quarter alone, to end-September, profits fell 89 per cent to Bt164m from Bt1.5bn in the same period last year.

Bangkok Land said the unusually long rainy season had delayed its construction schedule. It also made a Bt350m foreign exchange loss in the first quarter.

The company's ambitious 640 hectare new town, Muang Tong Thani, on the northern outskirts of Bangkok, so far appears to be a poor seller and a drain on resources.

Earlier profits are thought to have been boosted by the sale of development land. This can be booked as a profit when only a down-payment is made, because land counts as a finished product even under stricter new Thai accounting rules.

However, property companies are no longer allowed to book full profits on partially-paid property, which previously has been used by some developers to prop up results.

In the full year to March 1994, Bangkok Land reported net profits of Bt5.02bn.

Casio overcomes strong yen to jump 63% at halfway stage

By Michiyo Nakamoto in Tokyo

Casio, the Japanese manufacturer of watches and calculators, reported a strong jump in non-consolidated recurring profits – before extraordinary items and tax – in the first half, helped by buoyant demand for its electronic terminals and cost-cutting measures.

Recurring profits increased 63 per cent to Y4.6bn ($46.83m) from Y2.8bn, while sales rose 5 per cent to Y166.6bn from Y158.5bn. Net profit rose 122 per cent to Y3.4bn, against Y1.6bn a year ago, and the company raised its interim dividend to Y12.5 from Y5.82.

Casio said exports suffered from the high yen while domestic demand remained weak due to the continuing sluggishness of private capital spending. However, Casio had a number of successful products which helped it to avoid the worst effects of a difficult trading environment.

Children's calculators, which incorporate a simple message transmission function and a function allowing users to draw pictures, were extremely popular. Growth in these products was nonetheless insufficient to make up for a fall in ordinary calculators.

The watch division was also depressed by price competition in the market for basic watches, which overshadowed strong demand for telephone pagers.

Data processing systems, such as liquid crystal display panels and products using LCDs, saw a sharp rise in demand which took sales for the division up 28 per cent.

The business outlook remains uncertain as a result of the strong yen, and a recovery in the domestic market is expected to be moderate.

Casio is forecasting a 6 per cent rise in sales for the full year to Y340bn from the previous Y322.2bn, a 63 per cent increase in recurring profits to Y12bn from Y7.4bn and a 42 per cent rise in net profits to Y7bn from Y4.9bn.

Yamaha Motor accelerates

Yamaha Motor said aggressive cost-cutting was behind a 94 per cent jump in recurring profits – before extraordinary items and tax – for the first six months to September, Reuter reports from Tokyo.

Yamaha, the world's second largest motorcycle maker, said parent recurring profits soared to Y3.01bn ($30.6m) from Y1.55bn a year earlier, even though sales were flat at Y223.09bn, compared with Y223.65bn a year ago.

Cost-cutting measures, such as using more interchangeable parts, saved the company Y5.8bn in the first half, said Mr Takehiko Hasegawa, Yamaha Motor president. Strong exports of components to China and other Asian nations also helped, he said.

The company forecast parent recurring profits of Y4bn for the full year to March 31, up 9.4 per cent from a year ago. It would be Yamaha's first rise in annual profit in four years.

But Mr Hasegawa said the company believed there was only limited room to boost profits further, due to the yen's strength against the dollar and an uncertain outlook for the Japanese and overseas economies.

"We were able to increase our sales prices in the first half, but it will be hard to do this in the second half because of the strong yen," he said.

Because of the yen's strength the company has lowered its forecast of motorcycle exports to 330,000 units in the year to next March from a May forecast of 375,000. Exports totalled 388,000 units last year.

SA foods group lifts payout

C. G. Smith, the South African foods group, said it expected real growth in earnings per share in the year to next September, Renter reports from Johannesburg.

The forecast came as the company announced a 12.5 per cent rise in earnings per share to 106 cents for the past year, and raised its dividend to 36.8 cents from 32.7 cents.

Attributable profit rose to R499.3m ($141.81m) from R443.3m.

C. G. Smith said significant progress had been made in repositioning the group for the future.

China fund takes stake in ink maker

By Tony Walker in Beijing

Zim, a new closed-end China fund, has joined Sicpa of Switzerland in taking a majority $16m share of the Shanghai Printing Ink Factory, China's largest ink manufacturer. The investment gives the foreign partners 70 per cent of the joint venture.

Zhonghua Investment Management, a partnership which includes Kamsky and Associates and Oppenheimer of the US and Electra Trust of the UK, is targeting companies in high-growth consumer industries for investment.

Sicpa, which is helping to upgrade the Shanghai plant's technology, is the world's largest privately-owned ink manufacturer.

Mr Wing Keong Siew, president of Zim, said the company had assembled a $50m fund for investment in the consumer sector, but expected to increase the fund to some $200m.

Zim's strategy, Mr Wing said, was to invest in unlisted Chinese companies and joint ventures. In the case of the Shanghai venture it had identified an opportunity, introduced foreign expertise and was helping fund technological improvements with the fast-growing packaging industry in mind.

Zim is one of some 25 China funds that have developed over the past several years with an estimated $1bn under management. These funds have tended to invest either in the B-share market or in China-related stocks on the Hong Kong exchange.

But in a strengthening trend funds are seeking opportunities for investment in unlisted companies that are becoming more freely available as a consequence of China's drive to restructure its economy. Struggling state-owned companies are turning to foreign partners for assistance with technological upgrading and investment.

More time sought for Qantas sale

Legislation which could give more time for the flotation of the state's 75 per cent stake in Qantas, the Australian airline, was introduced yesterday, writes Nikki Tait. The amendment bill extends a deadline of June 30 next year for the completion of the share offering, to the end of August.

Meanwhile, the Australian Trade Practices Commission is due to announce today whether Qantas and British Airways, which holds a 25 per cent stake in the Australian carrier, should be allow to "co-operate" on London-Australia services.

Fairfax posts strong advance

By Nikki Tait in Sydney

John Fairfax, the Australian newspaper publishing group which now has about 43 per cent of its shares in the hands of Mr Rupert Murdoch, Mr Kerry Packer and Mr Conrad Black, yesterday announced a 55 per cent increase in first-quarter profits, to A$39.4m (US$29.68m) after tax but before abnormals.

The improvement translated into a 40 per cent improvement in earnings per share, at 5 cents. There was a small A$2.5m abnormal gain from the transfer of some magazine titles to a publishing joint venture, leaving bottom line profits at A$41.9m, against A$25.4m last time.

Sales in the three months to end-September were up by 14.2 per cent to A$239m, while operating costs rose by 6.7 per cent to A$74.3m. Interest charges also fell by almost A$2m to A$8.86m. This left operating profits 52.3 per cent higher at A$59.2m.

Mr Stephen Mulholland, Fairfax chief executive, said advertising volumes had been "well above last year for all publications," although he also acknowledged that there was "some softness" in some circulation figures during the half-year to September. Advertising volumes at the Sydney Morning Herald and the Melbourne Age were ahead of last year.

Mr Mulholland said trading results since September had "continued to be favourable".

Release of the figures came ahead of today's annual meeting in Melbourne, and amid continued speculation over the implications of Fairfax's unstable share register.

Mr Conrad Black, the Canadian media tycoon, now holds almost 25 per cent of the shares, and cannot go further under Australian foreign investment rules.

Mr Packer, the Australian businessman, is pegged at 15 per cent under media cross-ownership regulations.

Mr Murdoch, who first acquired shares in June, is said to hold around 3 per cent of the equity, although Mr Doug Halley, Fairfax finance director, said the company was not currently sending out notices allowing it to identify share purchases, and could not verify reports of recent purchases. In August, Mr Murdoch's stake was around 2 per cent.

INTERNATIONAL CAPITAL MARKETS

Mixed demand for Italy's Y450bn multi-tranche deal

By Conner Middelmann

The eurobond market sprang back to life yesterday, revived by Tuesday's increase in US interest rates. The dollar sector led the way, with several issuers capitalising on the recent resurgence in investor demand for short-dated US dollar paper.

The biggest deal of the day, bowever, was Repnblic of Italy's long-awaited multi-tranche Y450bn offering consisting of Y125bn of 3.9 per cent three-year bonds, Y200bn of 5 per cent 10-year bonds and Y125bn of 5.5 per cent 20-year bonds. The three and 20-year portions were lead-managed by Daiwa and Nomura, while the 10-year tranche was led hy Daiwa alone.

Dealers reported healthy demand from Japanese retail investors for tbe three-year tranche and from Japanese institutions and insurers for the 20-year tranche. However, most said the performance of the 10-year tranche was disappointing, undermined in part by the large syndicate group for this tranche, which contained a number of non-Japanese houses who sold their allotments back to the lead manager soon after the syndicate broke.

INTERNATIONAL BONDS

In the dollar sector, the Hellenic Repnblic launched a $500m five-year global bond via joint leads CS First Boston and Salomon Brothers. The deal is due to be priced today, with an indicated yield spread of 190-200 basis points over Treasuries. While some dealers were sceptical that Greece, with its BBB-/Baa3 credit rating (tbe lowest of tbe investment-grada ratings), would entice investors, others said the deal's generous pricing would attract decent demand.

"The main aim of this issue is to penetrate the US capital market," said Mr Spyros Papanicolaou, head of the international banking department at the Bank of Greece. "It is important for us to offer a good deal and get good placement, even if it costs us a little more."

Also tapping demand for short dollar paper, Landwirtschaftliche Rentenbank, the Triple A rated German agricultural bank, made its eurodollar debut with $250m of 7⅝ per cent three-year bonds via Nomura, priced to yield 15 basis points over Treasuries.

Ontario Hydro also came to the three-year sector with $350m of 7¾ per cent bonds via CS First Boston, priced to yield 30 basis points over Treasuries.

Although some traders felt the pricing was aggressive, others reported strong demand for the paper from European retail investors.

Dealers expect more short to medium-dated US dollar issuance in the near term, including a $300m five-year deal today for the Japanese government-guaranteed Electric Power Development Company, with IBJ tipped as lead manager.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
HRHELT 1994-2(a)★‡	887.3	(a)	(a)	2014	-	-	Lehman Brothers Intl.
Hellenic Republic	500	(b)#	(b)R	Nov.1999	0.50R	(a)(Wl 5yr)	CSFB/ Salomon Brothers
Ontario Hydro	350	7.75	99.755R	Dec.1997	0.1875R	+30(7⅞%-97)	CS First Boston
Landwirtschaftliche Rentenbank	250	7.625	99.85R	Dec.1997	0.1875R	+15(7⅞%-97)	Nomura/ Sakura Fin.Intl.
Banco Itamerati	75	11.625#	99.81R	Nov.1997	1.00R	+425(7⅜%-97)	Chase Investment Bank
Central Termica Guemes(c)	85	12.00#	100.00R	Nov.1998	0.75R	+487½(8⅞%-98)	Merrill Lynch International
Citi Investments	*60*	*9.625‡*	*100.83*	*Nov.1995*	*0.50*	*+218(7-bill)*	*Citibank International*
Bank of South Australia(d)‡	50	(d1)	99.785	Nov.1999	0.20	-	JP Morgan Securities
YEN							
Republic of Italy	125bn	3.90	99.96R	Dec.1997	0.30R	+19.6(5%-97)	Daiwa Europe/ Nomura Intl.
Republic of Italy	200bn	5.00	99.54R	Dec.2004	0.325R	+29(4⅝%-04)	Daiwa Europe
Republic of Italy	125bn	5.50	100.00R	Dec.2014	0.50R	+38(5%-14)	Daiwa Europe/ Nomura Intl.
Riso Kagaku Corp.(e)§	*10bn*	*1.875#*	*100.00*	*Mar.2002*	*2.50*	-	*Nomura International*
FRENCH FRANCS							
Merrill Lynch & Co.	1bn	8.125	99.861R	Dec.1999	0.30R	+53(8⅛%-99)	Merrill Lynch Cap.Mkts.
ECU							
Eurofima(f)	170	8.125	99.885R	Dec.1999	0.25R	+5(5%-99)	Barclays de Zoete Wedd
LUXEMBOURG FRANCS							
Republic of Finland	2bn	8.125	102.20	Dec.2002	2.00	-	Kredietbank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Unlisted. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Household Revolving Home Equity Loan Trust. Tranche A1 priced at 1-mth Libor +23-24bp. Tranche A2 details not available. Expected average life: 3.8 yrs. b) Priced today at 190-200bp over Treasuries. c) Callable on 29/11/95 at par. d) Issue launched on 7/11/94 was increased to $300m. Callable on coupon dates after 2 yrs at par. d1) 3-mth Libor +35bp. e) Pricing: 24/11/94. Callable from 1/4/96, subject to 140% hurdle, at par. f) Spread relates to French Govt Ecu BTAN's.

Treasuries fall as data-fuelled rally runs out of steam

By Lisa Branstan in New York and Martin Brice in London

US Treasury prices fell across the yield curve yesterday morning after failing to hold on to early gains in the wake of positive news on inflation.

By midday, the benchmark 30-year government bond was down ⅝ at 93¾, yielding 8.061 per cent. At the sbort end of the market, the two-year note declined 1/32 at 99 1/32 to yield 7.099 per cent.

Treasuries across the maturity spectrum were unable to sustain an early-morning rally spurred by reports that consumer prices increased less than economists had projected. Tha Labour department reported that consumer prices, excluding food and energy, increased only 0.2 per cent in October. Analysts had expected a 0.3 per cent rise.

Overall, consumer prices grew 0.1 per cent – the smallest increase since April – bringing tbe yearly inflation rate down to 2.5 per cent in October from 3 per cent in September.

GOVERNMENT BONDS

However, neither the positive inflationary naws nor Tuesday afternoon's move by the Federal Reserve to boost the Federal funds rate 75 basis points to 5½ per cent calmed the skittish market.

Although the interest rate increase was larger than expected, the market was expecting a risa of at least 50 basis points, giving the Fed move little impact after an initial rally on Tuesday, just after the announcement.

Also, in its announcement on the rate increase, the Fed clearly left the door open for a another rise if it continues to see signs of inflation. Sucb nncertainty about interest rates may keep some investors out of the market for fear that interest instability could undermine prices.

Mr Robart Brusca, chief economist at Nikko Securities, believes the market is unsatisfied with the interest rate increase, although be does not see signs of inflation. "The bond market loves it when bad things happen," he said.

■ UK government bonds were buoyed by favourable inflation data yesterday, but other European government bond markets dipped, following US Treasuries down in the absence of a lead from German bunds due to a national holiday.

■ Gilts rose 3/32 of a point and the December long gilt future closed around 102 3/32 as investors reacted to figures which showed year-on-year underlying retail price inflation unchanged at 2 per cent, and a fall in the public sector borrowing requirement.

Mr Michael Saunders, economist at Salomon Brothers, said: "The inflation figure was better than everybody had been hoping for."

The March short sterling future rose 19 basis points on the day to 92.95, suggesting that investors now believe there is less likelihood of a rise in UK base rates from the current 5.75 per cent. Mr Saunders said: "Short sterling is moving to price in unchanged base rates. I would say it looks as if rates are on hold until next year now."

However, this view was not shared by Mr Nigel Richardson at Yamaichi, who believes there may be a base rate rise hefore Christmas. He said: "The authorities will have to play it safe, and that means raising base rates. Everyone seems to accept that base rates will have to go up further, and if you are going to do it you might as well do it early."

However, he remains hullish on gilts. "Base rate rises don't bave to be bad for gilts. In the international context gilts are looking a very attractive proposition," he said.

■ Yields on the 10-year benchmark Italian government bond rose yesterday as prices fell on political worries. The yield rose 14 basis points to 12.05 per cent from 11.91 per cent. Mr Graham McDevitt of Paribas Capital Markets said: "Tbe same old theme of politics and the hudget has come back. The government has called a confidence vote. This is a brutal way of passing the budget, because if things go wrong it could cause the government to fall."

■ Swedish government bond prices also fell yesterday, with the yield on the 11-year benchmark bond rising 17 basis points to 11.01 per cent. Mr McDevitt of Paribas pointed out that the yield on Friday, before the "yes" result on the referendum on Swedish membership of the European Union, was 11.11 per cent.

China turning to US for financing

By Tony Walker in Beijing

China is likely to turn increasingly to the US bond market for external financing of its ambitious infrastructure programme, according to an International Monetary Fund survey.

The IMF, in its report* on trends in international capital markets, reports that China will "place more emphasis on bond financing relative to bank financing in view of the lower interest rates on bonds and the availability of longer maturities".

This view is consistent with recent statements by a senior Ministry of Finance official, who said China planned to borrow some $10bn in the next five years in international capital markets.

The IMF report says the Chinese authorities have targeted the US, which they view as the "deepest market" and the one most likely to produce the longest maturities.

This has been borne out, the report said, by the "recent elongation" of maturities in the dollar market to seven years in November 1992 for the People's Construction Bank of China, and to 10 years in July 1993 for the China International Trust and Investment Corporation.

The survey says China was "quite active" in international markets between 1982, when it resumed bond issues, and 1989, when capital-raising abroad slowed. The pace picked up again in 1991 and accelerated in 1993. International hond placements at the end of last year stood at $9bn.

The IMF is critical of China's "10 windows" monopoly on international bond issues. This restricts organisations authorised to borrow abroad to some 10 financial institutions.

However, it notes that the authorities are experimenting with "necessary first steps" to give enterprises independent access to international bond markets.

**International Capital Markets: Developments, Prospects and Policy Issues. International Monetary Fund, September 1994.*

French trading house joins DTB venture

By Conner Middelmann

Trifutures, the French trading house, has become the second Paris-based participant in the joint venture between the futures and options exchanges of France and Germany.

Another Frencb company, Compagnie Parisienne de Réescompte, will start operating directly from Paris later this month. By February 1995, the DTB, tha German futures exchange, expects to have 12 Paris-based members.

Germany's screen-based DTB and France's open-outcry exchange, Matif, last year agread to set up a co-operation programme, called Tradeus, which took effect this summer.

The first phase of the co-operation involvad the installation of DTB trading screens in the offices of Matif members. The second phase, which allows for two Matif products to be listed on the DTB, is expected to begin at the end of next year.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	08/04	90.7500	+0.460	10.53	10.70	10.21
Belgium		7.750	10/04	96.3200	-0.480	8.31	8.32	8.32
Canada *		6.500	06/04	89.6500	-0.350	9.10	9.15	8.11
Denmark		7.000	12/04	88.3700	-0.200	8.79	8.97	8.75
France	BTAN	8.000	05/98	102.0700	-	7.47	7.60	7.33
	OAT	8.750	10/04	90.7400	-0.160	8.14	8.19	8.04
Germany Bund		7.500	11/04	100.7000	-	7.40	7.51	7.41
Italy		8.500	08/04	81.6800	-0.630	11.70†	11.68	11.71
Japan	No 119	4.800	06/99	102.8650	-0.100	4.06	4.10	4.07
Japan	No 164	4.100	12/03	95.8340	-0.150	4.74	4.78	4.69
Netherlands		7.250	10/04	97.8400	-0.660	7.56	7.55	7.41
Spain		8.000	05/04	81.7100	-0.090	11.20	11.38	11.14
UK Gilts		8.000	06/99	90-23	+3/32	8.41	8.50	8.43
		8.750	11/04	88-00	+6/32	8.55	8.62	8.59
		8.000	10/08	103-18	+6/32	8.57	8.60	8.57
US Treasury *		7.875	11/04	98-17	-8/32	7.94	7.96	7.67
		7.500	11/24	93-16	-6/32	8.08	8.09	7.89
ECU (French Govt)		8.000	04/04	84.0400	-0.280	8.52	8.58	8.48

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

		One month	5.68	Two year	7.10
Prime rate	8½	Two month	5.44	Three year	7.41
Broker loan rate	6½	Three month	5.52	Five year	7.68
Fed.funds	5⅝	Six month	6.03	10-year	7.90
Fed.funds at intervention	-	One year	6.39	30-year	8.04

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.32	111.18	-0.20	111.60	110.90	175,962	129,160
Mar	110.46	110.36	-0.20	110.66	110.14	3,031	17,855
Jun	109.62	109.52	-0.20	109.64	108.62	52	3,004

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Nov	Puts Dec	Puts Mar
110	1.30	-	2.03	0.14	1.46	2.48
111	0.59	1.33	-	0.39	1.57	-
112	0.17	0.92	-	0.98	2.54	-
113	0.05	0.62	-	-	-	-
114	0.01	0.37	-	-	-	-

Est. vol. total, Calls 27,669 Puts 38,847. Previous day's open int., Calls 298,652 Puts 276,295.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.59	90.17	-0.46	90.70	90.12	155379	174641
Mar	89.72	89.31	-0.45	89.76	89.30	4486	31645

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9000	0.52	0.63	0.62	0.98	0.35	1.22	1.51	1.61
9050	0.28	0.36	0.63	0.75	0.61	1.55	1.82	1.98
9100	0.14	0.24	0.47	0.62	0.97	1.93	2.18	2.31

Est. vol. total, Calls 17196 Puts 12116. Previous day's open int., Calls 284814 Puts 238214

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.30	100.72	-0.58	101.88	100.68	50171	53263
Mar	100.37	99.78	-0.56	100.60	99.84	933	11045

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10050	0.63	1.88	0.41	2.62
10100	0.37	1.67	0.65	2.91
10150	0.20	1.48	0.98	3.22

Est. vol. total, Calls 972 Puts 428. Previous day's open int., Calls 27904 Puts 34937

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.28	87.12	-0.08	87.60	87.05	55,227	81,911
Mar	86.49	86.35	-0.11	86.35	86.39	1,686	3,396

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101-28	102-04	+0-03	102-23	101-17	110013	101623
Mar	100-28	101-11	+0-04	101-28	100-28	2570	7687

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
102	0-37	1-34	0-29	2-12
103	0-12	1-07	1-04	2-49
104	0-02	0-50	1-58	3-28

Est. vol. total, Calls 6616 Puts 4491. Previous day's open int., Calls 76517 Puts 53347

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	81.40	81.18	-0.20	81.48	81.00	3,605	6,883

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 16	Day's change %	Tue Nov 15	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	120.08	+0.18	119.86	1.85	9.83
2 5-15 years (23)	139.93	+0.24	139.58	1.75	11.49
3 Over 15 years (8)	156.75	+0.30	156.29	2.65	10.87
4 Irredeemables (6)	176.83	+0.86	175.78	0.88	13.47
5 All stocks (61)	137.22	+0.24	136.90	1.94	10.93

	Low coupon yield Nov 16	Nov 15	Yr. ago	Medium coupon yield Nov 16	Nov 15	Yr. ago	High coupon yield Nov 16	Nov 15	Yr. ago
5 yrs	8.45	8.51	6.01	8.52	8.58	6.26	8.64	8.68	6.39
15 yrs	8.45	8.48	6.89	8.56	8.60	7.01	8.81	8.84	7.19
20 yrs	8.43	8.46	7.00	8.56	8.60	7.06	8.71	8.75	7.21
Irred.†	8.49	8.65	7.12						

Index-linked	Wed Nov 16	Day's change %	Tue Nov 15	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	186.29	+0.03	186.23	0.62	5.07
7 Over 5 years (11)	173.96	+0.07	173.83	1.07	4.36
8 All stocks (13)	174.36	+0.07	174.24	1.03	4.41

	Inflation 5% Nov 16	Nov 15	Yr. ago	Inflation 10% Nov 16	Nov 15	Yr. ago
Up to 5 yrs	3.83	4.08	2.04	2.87	2.97	1.15
Over 5 yrs	3.84	3.87	3.06	3.84	3.89	2.87

Debentures and Loans	Wed Nov 16	Day's change %	Tue Nov 15	Accrued interest	xd adj. ytd	5 year yield Nov 16	Nov 15	Yr. ago	15 year yield Nov 16	Nov 15	Yr. ago	25 year yield Nov 16	Nov 15	Yr. ago
9 Debs & Loans (77)	128.17	+0.36	127.71	2.28	9.82	9.58	9.62	7.56	9.55	9.59	8.00	9.52	9.56	8.18

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 16	Nov 15	Nov 14	Nov 11	Nov 10	Yr ago	High*	Low*
Govt. Secs. (UK)	91.59	91.83	91.22	91.03	91.45	103.54	107.04	89.54
Fixed Interest	108.22	107.92	107.66	107.92	107.84	123.78	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 15	Nov 14	Nov 11	Nov 10	Nov 9
Gilt Edged bargains	93.4	75.3	80.3	81.8	84.0
5-day average	83.0	80.4	81.2	82.4	81.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 16

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	87⅞	88	-⅛	8.58
Alberta Province 7⅞ 98	1000	98¼	98⅜	-⅛	8.00
Austria 8½ 00	400	101⅝	102	-⅛	8.09
Bank Ned Gemeenten 7 99	1000	96⅛	96⅜	-⅛	8.00
[illegible]					

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

COMPANY NEWS: UK

Hambros halved after £23m rise in costs

By John Gapper, Banking Editor

Hambros, the merchant bank and financial services group, said it had no plans to lay off staff despite a £23m increase in costs which contributed to a near-50 per cent fall in interim profits.

The company, which warned last month that the outcome would fall below expectations, announced a drop from £39.5m to £21.5m in pre-tax profits for the six months to September 30.

Dealing profits fell £5m to £18.1m, but operating income rose from £200m to £310m despite market turmoil.

Expenses rose from £145.7m to £168.4m, but the company said that more than half that amount was accounted for by new activities and acquisitions. All costs were being examined "with the thoroughness that market conditions demand".

Sir Chips Keswick, joint deputy chairman, said expenses had risen by £15m in the merchant bank, where profits fell from £38.5m to £22.6m. However, £8m of this rise came from investment in new businesses such as a private bank in Zurich.

The remaining sum was largely because of a 6 per cent pay rise in April. "You could say that was a misjudgment, but at the time it looked rather reasonable," said Sir Chips, who said there were no plans for cuts among the 4,500 staff.

Provisions for bad debts rose from £3.4m to £7.3m while profits from direct investments rose to £7.1m (£4.1m), mainly because of a sale of Scotia shares.

The interim dividend is held at 4.5p, payable on earnings per share down from 11.7p to 4.8p.

The shares closed 13p up at 235p, partly because pre-tax profits were at the upper end of last month's estimate of between £18m and £23m.

As disclosed in August, Hambro Countrywide, the estate agency chain, incurred a £750,000 loss compared with a £1.3m profit.

The chain has grown to 750 branches – or 6 per cent of the market – after acquiring Nationwide Estate Agents.

Mr Christopher Sporborg, deputy chairman, said the chain aimed for a 10 per cent market share. That would be an "extremely profitable" business if the housing market recovered to an average level of more than 1.3m transactions a year. The bank said the increase in the estate agency network should increase the number of insurance policies underwritten by Hambro Guardian, its insurance arm.

Capital may seek all four regional licences

By Raymond Snoddy

Capital Radio, the largest company in the commercial radio sector, said yesterday that it might apply for all four of the regional licences to be advertised by the Radio Authority.

The suggestion came from Mr Richard Eyre, Capital's managing director, as he announced pre-tax profits of £22.2m (£11.7m), including £4.23m from the disposal of operations, for the year to September 30.

Capital would be unlikely to win all of the new licences covering 7m people in the Yorkshire area, East Anglia, the east Midlands and the Solent, but its interest shows a determination to expand.

Capital, which has stations in Birmingham and the south of England as well as London, also made it clear yesterday that it was interested in major conurbations and that new licences were unlikely to satisfy its ambitions.

Under the points system for limiting the concentration of station ownership, Capital has the leeway to buy a number of new licences or even a national commercial station in the unlikely event that one became available.

Mr Eyre ruled out diversification outside the radio industry.

Capital, which said its stations were now all number one in their markets, increased annual turnover by 44 per cent to £51.7m (£36m). The increase included the effect of acquisitions and disposals.

Earnings per share more than doubled to 22.8p (11.3p). The final dividend of 5p makes a total of 7.25p (5.75p) for the year.

Mr Ian Irvine, chairman, said yesterday the new financial year had begun well. He conceded, however, that staff costs had risen as more people had been taken on for the sales organisation, Media Sales & Marketing.

Land Securities' shares fall 2%

By Simon London, Property Correspondant

Shares in Land Securities fell 2 per cent yesterday to 606p as the UK's largest property company said that it was increasing development activity and warned of lower profits as a result.

The company plans to spend up to £350m over the next two to three years, the first boost to its development programme since the late 1980s.

Land Securities does not capitalise interest on developments, so profits will be reduced by higher interest charges until the new buildings are occupied.

In the six months to September 30, Land Securities made an unchanged pre-tax profit of £118.9m. After stripping out property trading profits, the figure increased by £2.9m.

Mr Peter Hunt, chairman, said that interest charges arising on development would make it difficult to match this result in the second half.

He added that demand for business space was still patchy with no general increase in rental levels, although modern office buildings in good central London locations were already achieving higher rents, as were prime retail buildings.

The interim dividend is increased by 3.8 per cent to 6.85p.

Analysts said this was disappointing, set against growth prospects available elsewhere in the sector, even allowing that Land Securities did not cut its dividend during the downturn.

Acquisitions in the period amounted to £75m, mainly in the retail and industrial sectors. Mr Hunt said that scope for further acquisitions was now limited.

Land Securities' development programme includes the construction or refurbishment of 600,000 sq ft of offices in central London, of which 45 per cent has been pre-let to tenants.

The company is also proceeding with the 600,000 sq ft White Rose Shopping Centre outside Leeds, which is being jointly developed with Evans of Leeds and Yorkshire Water.

The project will cost about £100m and three quarters of the rental income from the finished scheme will accrue to the company.

Net rental income for the half-year increased from £192m to £198.5m.

Adjusted earnings per share advanced from 16.64p to 16.81p.

Tax concession for 'Dutch mixers'

By Jim Kelly, Accountancy Correspondent

UK multinationals with subsidiaries in the Netherlands through which they channel US dividends appear to have won a vital concession over their status ahead of a new income tax treaty.

Ernst & Young, the accountants, said an announcement by the US Internal Revenue Service at a conference of the American Tax Institute could radically reduce the treaty's impact on UK companies with so-called "Dutch mixers".

The number of multinationals using Dutch mixers is unknown, but Ernst & Young said it had notified 100 of the IRS statement and was urging them to apply for tax relief. The accountants estimate that without the IRS concessions, UK multinationals could heve faced doubled tax bills on dividends from US subsidiaries.

Mr Chuck Merriman, internal tax partner with Ernst & Young, said: "Although no blanket relief will be granted by the IRS for all UK mixer companies, this is certainly a positive indication from the IRS that ruling requests will be seriously considered."

The US-Netherlands income tax treaty comes into force on January 1 and is in part designed to stop "treaty shopping" by excluding some multinationals from reaping the benefits of tax concessions.

UK multinationals use Dutch mixers to maximize their UK tax credits by blending the flow of dividends from overseas subsidiaries which carry differing levels of tax at source.

Several applications for discretionary relief have been made under Article 26 (7) of the treaty. Mr Merriman said the IRS had indicated that the results of two cases were near and that they would be favourable to the applicants.

Steel side lifts Adam & Harvey

Adam & Harvey, the international distribution and steel stockholding group, lifted pre-tax profits by 11 per cent from £2.55m to £2.82m in the six months to September 30.

Turnover rose from £21.3m to £23.8m. Earnings per share improved from 34.5p to 39.6p.

Mr Gerald Stuart-Lee, chairman, said the profit increase resulted from a strong performance in steel stockholding. "As a whole the group continues to trade profitably." The group had benefited from moves towards free market economies in Africa, he added.

The interim distribution, which will be paid as a foreign income dividend, is up from 6p to 8.5p.

To buy back or pay out

David Wighton examines the distribution of cash piles

Boots' decision to spend more than £500m buying in its shares has fuelled a fierce, if arcane, debate about the best way for companies to reduce excess cash holdings.

Boots is following a trail blazed by the regional electricity companies which have spent more than £750m buying back their shares over the last year. Last month East Midlands Electricity took a different tack by paying out £186.5m as a special dividend.

Both methods have their pros and cons, most of which relate to tax.

One advantage of the special dividend is that its tax treatment is certain. East Midlands obtained prior clearance from the Inland Revenue, which said the payment would be treated like an ordinary dividend – having a tax credit attached worth 25 per cent of the payment. Tax exempt shareholders, including pension funds, can reclaim the tax credit from the Inland Revenue. The company pays the same sum to the Revenue in advance corporation tax which it can then set against its mainstream corporation tax bill.

In theory, if a company buys back its shares directly from investors most of the sum received is treated in the same way. But this only applies if the company buys the shares in the market or through a stockbroker acting purely as an agent. If it merely buys them from a market maker, as some of the electricity companies did, there is no tax benefit for the shareholders.

There is another potential snag. The Revenue has given no commitment that shareholders accepting repayment will get their tax credit and it can refuse to pay if the investor sold for tax reasons.

Tax experts believe it is likely that a few institutions who took advantage of electricity buy-backs may fall foul of this rule. Those who sold shares to the company only to buy them back in the market are particularly vulnerable. The Revenue could easily argue that the institution acted purely to get the tax credit.

But buy-backs are more tax efficient, assuming institutions get their tax credits.

In most recent examples the companies' brokers merely stood in the market buying shares until the money had been spent. Since the tax credit is only available to non-taxpayers, they buy most of the shares. The total amount claimable from the Revenue will therefore be almost 25 per cent of the purchase price.

Yet a special dividend goes to all shareholders. Basic rate taxpayers get no credit, while top rate taxpayers face a bill of 20 per cent of the dividend. So the total net flow from the Revenue to shareholders is likely to be less.

Supporters of special dividends counter that they are more equitable than buy-backs where only institutions are offered the chance to sell. But because of their different tax statuses shareholders do not receive equal value from dividends, while under a buy-back all shareholders receive the benefit of the changed capital structure. For example, because of the different tax treatment of interest and dividends, analysts calculate that by switching £500m of its capital from equity to debt Boots will boost its post-tax profits by more than £10m a year.

Most observers agree that Reuters adopted the ideal solution last year. It distributed £350m to shareholders by offering all of them the opportunity to sell part of their holding. Not only did the company treat shareholders equally, it gave them the option of receiving cash or enhancing their investment. It also gave investors time to decide in contrast to what has been described as the "unseemly scramble" over Boots' buy-back.

Unfortunately the Revenue has since refused to give any other company clearance for such a scheme. If there is an interval between the announcement of the buy-back and the closing date, the market price could rise above the offer price. So shareholders who accept the company's offer, rather than sell in the market, are clearly doing so for tax reasons. A way around this is unlikely to be found before the Budget, which is expected to change the taxation of dividends.

CSI plans relaunch as Saltire

By Simon Davies

Cannon Street Investments, a name synonymous with the acquisitions fervour of the late 1980s, is to disappear from the Stock Exchange lists after a name change that accompanies a substantial acquisition and a financial restructuring.

Yesterday's announcement represents a relaunch of the mini-conglomerate, whose share price has fallen from a peak of 405p in 1987 to yesterday's 13p, following a disastrous expansion policy.

The company is to change its name to Saltire, to reflect the change.

CSI is launching a 1-for-1 rights issue at 12p per share, raising £10.8m to fund the cash element of the £16m acquisition of Maplin Electronics, a consumer electronics distributor and retailer.

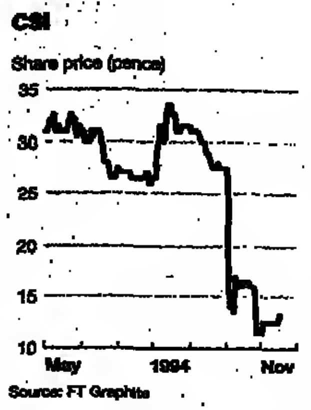
CSI's existing £25.8m convertible preference shares are also being restructured, with a substantially reduced coupon. This will cut the preference dividend burden from £2.5m a year to a peak of £1.13m.

Deferred preference dividends of £5m will be cancelled, although holders, primarily the Bank of Scotland, are rewarded with 20.5m new bonus shares. This enables CSI to resume ordinary dividends, and Mr Tom Long, chairman, was "hopeful that we will pay a dividend from the 1995 results".

Maplin represents a neat fit with CSI's Altai. They source similar products, but serve a different customer base.

With the combined buying power of the two companies, cost benefits should accrue immediately.

Maplin is expected to make profits of £2.8m in the year to June 1996, which would put the acquisition on a prospective p/e of 9.



Source: FT Graphite

CSI is paying £9.85m cash, £2.6m in new shares and a further £3.55m earn out, assuming Maplin hits the profit target.

The enlarged group will have £27.5m of debt, representing gearing of 114 per cent, but the sale of non-core businesses would substantially reduce the figure.

Maplin was 44 per cent owned by Brown Shipley Venture Capital, with the remainder held by senior management.

● **COMMENT**

CSI's management is adamant that there are no more skeletons amid its residual non-core subsidiaries, and the rationale for its acquisition looks sound. Robert Fleming expects the enlarged group to make a £7.5m pre-exceptional profit in 1995, putting the shares on a p/e of 6.5. At this level, the shares look attractive, although it will take time for the management to rebuild the group's tarnished image.

Boscombe transformation

Boscombe Property is to become mainly a residential property management company through the acquisition of Newcrest Management Services.

Consideration is £3m, satisfied by £1.88m cash and the issue of 1.12m shares at 100p.

Boscombe has applied to join the Official List and, following the reverse flotation, plans to change its name to Residential Property Trust.

It is also proposing to subdivide and convert every two existing ordinary shares into 85 new ordinary and 15 deferred shares. The preference will be subdivided and converted into one new ordinary and 49 deferred shares. Hill Samuel Bank will place 2.02m ordinaries at 100p each.

Boscombe also announced a drop in pre-tax profits from £320,903 to £93,871 for the half year to September 30.

Mr Stuart McDonald, chairman, said the results were the first interims following the disposal of San Remo Towers in August 1993 and as such represented "a satisfactory return from the investment properties retained".

Gross rental income was £80,058, against £358,259 which included £279,215 from discontinued operations. Earnings per share were 47.8p (319.2p).

Newcrest made pre-tax profits of £309,678 in the half year to end-September and had net assets at that date of £230,794.

15% rise at Prop Partnerships

Property Partnerships, the developer and hotel owner, announced a 15 per cent rise in pre-tax profits, from £994,000 to £1.14m, in the six months to September 30.

Turnover grew to £3.5m (£3.19m). At the operating level the hotels side contributed £416,000 (£238,000) while property investment gave £839,000 (£845,000).

The interim dividend is 2.7p (2.6p), payable from earnings of 7.44p (6.5p) per share.

Eurocamp's dash for cover

Michael Skapinker reports on the offer of an alternative to canvas

It was raining on the Côte d'Azur as Mr Richard Atkinson, managing director of Eurocamp, showed visitors around the 1,400-apartment complex he is offering in his brochures.

The surrounding sea and mountains did little to lift the gloom, but there was one comforting thought: at least we were not sheltering in tents.

Mr Atkinson, who joined Eurocamp in 1976 as a campsite attendant and led a management buy-out in 1988, realises that not all holidaymakers share his enthusiasm for canvas. "Let's face it, not everybody fancies going camping," he says.

Eurocamp, Europe's leading self-drive camping operator, is increasingly promoting alternatives to tent holidays. It is attempting to raise sales of mobile home packages and last month launched a new brand, EuroVillages, which offers holidays in 20 French apartment and studio resorts.

The strategy follows a sharp fall in profits and margins in 1993 – a shock for a company which had enjoyed four years of impressive growth.

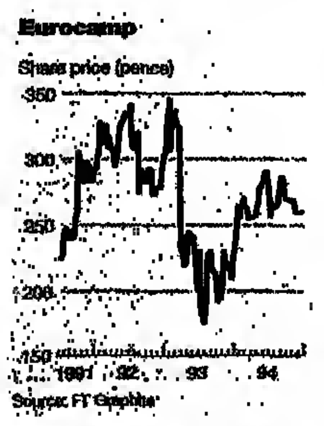
In 1989, the first year after the buy-out, pre-tax profits were £3.6m. By 1992, the year after Eurocamp's flotation, profits had reached £9.4m. Last year they fell to £6.3m. Pre-tax profits represented 11 per cent of turnover in 1993, compared with 15 per cent in 1992.

Mr Atkinson says a principal cause of the decline was sterling's fall against the French franc. About 80 per cent of the campsites which Eurocamp uses are in France.

Sterling's fall did not affect the price of holidays last year as the company had bought its currency requirements forward, but it did adversely affect consumer attitudes to France. The poor continental summer in 1992 and the French lorry drivers' dispute also depressed last year's bookings.

Mr Atkinson says his company was also being damaged by longer-term trends. The first was that mobile home holidays were growing faster than the camping packages that were Eurocamp's staple.

The market for self-drive camping and mobile home holidays grew by 65 per cent between 1989 and 1994. Over the same period, however, the mobile home share of that market almost doubled from 18 to 34 per cent.



Source: FT Graphite

Mr Atkinson attributes the growth of mobile home packages to the fact that they appeal to less experienced holidaymakers. "The more the holiday market becomes a mass market, the more conservative customers are going to be: less confident and more likely to want basic comforts."

Along with a greater emphasis on mobile homes, Eurocamp is trying to raise quality of service. Its customer surveys found that service had slipped in 1992. Campsite staff now receive two bonuses: one based on profits and one on customer satisfaction surveys.

Throughout its travails, Eurocamp has had a cushion available to few other UK tour operators: an international customer base.

This year, 45 per cent of bookings will be from abroad. The company's largest overseas markets are Germany and the Netherlands, where bookings have held up well. Overall, bookings are up 20 per cent this year and the company is confident of improved profits.

Moving into holidays in apartments is essential to maintain growth, Eurocamp believes. It aims to capture families who grow out of camping and parents with children too young to camp or with teenagers who find it boring.

The EuroVillages programme, however, takes Eurocamp's offering closer to that of giants such as Thomson and Airtours, where competition is fierce. And while the Côte d'Azur resort, which is owned by the French group Pierre & Vacances, has impressive sporting facilities, the rooms seem cramped. It probably all looks better in the sunshine.

Cheap imports blamed for Youngs fall

By Richard Wolffe

Young & Co's Brewery yesterday blamed cheap cross-Channel imports for a 13 per cent decline to interim profits.

The south London-based company, which has a tied estate of about 180 pubs in the south-east, complained that illegal sales of continental beers had accelerated the trend away from pub drinking.

Mr John Young, chairman, called on the government to lower beer duty to the levels in other EU countries. "This is supposed to be a truly Common Market but British brewers – and therefore their customers – have to pay duty seven times higher than in France."

Pre-tax profits in the six months to October 1 fell to £2.24m (£2.58m) on flat turnover of £36.4m (£36.1m). Beer volumes are thought to have dropped by 5 per cent in the first half.

Sales to non-Young outlets remained static, despite a 30 per cent rise in the number of free houses taking Young's beers. Supermarkets and off-licence sales represent less than 1 per cent of turnover.

Operating margins slipped from 10.6 to 9.3 per cent as Young's lagers lost sales to other brands over the summer. The brewer said it would be training staff to encourage drinkers to try its lager.

Exports, which represent 2.5 per cent of turnover, rose 35 per cent in North America. The company said it was making good progress with a new export drive to Hong Kong and China.

Profits were depressed by refurbishment costs, which rose 67 per cent to more than £700,000, but are expected to revert to about £400,000 next year.

Interest costs remained at £1.35m, and gearing stayed at about 30 per cent.

Earnings per ordinary share fell to 11.34p (12.52p); the interim dividend is maintained at 7.25p.

UK Land back in the black

UK Land, the property investment and dealing group, turned in a pre-tax profit of £353,000 for the half year to September 30.

There was a £38,000 loss last time, before a surplus of £44.8m following the writing back of creditors and guarantee liabilities extinguished under the company voluntary arrangement, which became final on September 7 1993.

In line with its declared policy there is no interim dividend, but the group expects to pay a final.

Fully diluted earnings per share were 4p (nil).

Buoyant markets help push Volex to £5.85m

By Peter Pearse

In a year when markets for its electrical interconnection products and cable assemblies were "generally buoyant", Volex Group reported a 22 per cent rise in pre-tax profits from £4.8m to £5.85m.

However, stripping out an exceptional £662,000 profit from the sale of surplus land, the pre-tax figure rose a more modest 8 per cent.

Although the data processing market had been expanding and was projected to grow at 15 per cent a year, the group drew attention to strong price competition to some of its markets and rising commodity prices in its main raw materials – polymer and copper.

Mr Oliver Chapple, chief executive since October 1993, said copper prices had risen 50 per cent and polymer 30 per cent in the past 12 months.

However, through efficiencies in manufacturing and purchasing, the group managed to raise operating margins. Operating profits grew 13 per cent to £5.45m (£4.83m).

Net interest payable was £263,000, against £30,000, as borrowings at the half-way stage jumped to £8.5m (£800,000) for gearing of 20.6 per cent.

Most of the rise derived from £2.7m of deferred consideration for Cable Products, bought in early 1992, and the £3.2m cost of increasing the group's stake in Mayor, the Singapore-based maker of data and power cord assemblies, from 60 to 75 per cent. Mr Chapple said Volex had the option to lift its stake to 100 per cent.

In wiring systems, the rise in business from Rover "more than compensated for" the expected phasing-out of the Jaguar business, while the customer base was spreading to commercial, agricultural and off-road vehicles.

Raydex, the specialist cables company, sustained most impact from raw material rises but successfully launched its high-speed data cable.

Sales at Pencon, the UK power cords maker, were "disappointing", in spite of moulded plug fitting legislation due to come into effect in the beginning of February 1995.

Mr Chapple said that computer companies, moving to just-in-time supply, had destocked, and the dry summer made the lawn-care market less buoyant.

Earnings per share rose 34 per cent to 14.1p (10.5p) and the interim dividend is lifted to 6.7p (6.5p).

Channel shares decline despite midterm advance to £902,000

By Katrina Lowe

Shares in Channel Holdings, the security components group, yesterday fell 6p to 46p despite a 12 per cent rise in interim profits.

Mr Philip Ling, chairman, said the short-term outlook for the CQR subsidiary was "constrained by the uncertain level of overall demand in the UK intruder alarm industry."

Mr Patrick Rogers, chief executive, said he thought that the market had hoped for a larger profits rise and also that it had focused too much on the slowdown in the UK intruder alarm market.

CQR's profits in the first half were unchanged from a year ago and a similar performance was expected in the second half, Mr Rogers said.

Group pre-tax profits rose from £808,000 to £902,000 in the six months to September 30.

Shawley Antony, acquired in July, contributed operating profits of £35,000 on sales of £434,000. Total turnover amounted to £8.67m (£7.66m).

The interim dividend is increased to 0.55p (0.5p), payable from earnings per share of 1.8p (1.7p).

NEWS DIGEST

Acquisitions help Lynx leap to £2m

A substantial contribution from acquisitions helped Lynx Holdings, the acquisitive computer services and leisure products company, to raise annual pre-tax profits from £619,000 to £2.01m.

Lynx said that companies acquired during the year to September 30 had performed ahead of expectations, and had produced £1.44m of group operating profits of £2m (£619,000).

Overall sales of £21.5m (£10.8m) included £11.8m (£9.03m) from continuing operations, £8.32m from acquisitions and £1.4m (£1.78m) from discontinued activities.

The dividend for the year is raised 12 per cent to 1.4p (1.25p) via a final of 1.04p. Earnings per share came through at 4.5p (4.27p).

WMGO at £0.25m

WMGO Group, transformed from the MMI sponsorship and financial marketing group into a business communications company, reported pre-tax profits of £254,000 on turnover of £9.09m for the half year to August 31.

The figures included turnover of £3.51m from acquisitions, which provided operating profits of £225,000.

In the comparable period, pre-tax profits were £201,000 from turnover of £5.22m, including £414,000 from discontinued operations which contributed £159,000 to operating profits.

The company said that business was buoyant in all sectors and all group companies were experiencing an encouraging increase in new business.

Earnings per share, allowing for the June placing and open offer, fell from 0.46p to 0.36p. A special interim dividend of 0.5p has already been paid.

Burmah venture

Turcas Petrolculuck, the joint venture between Burmah Castrol, the lubricants, chemicals and fuels company, and Turkpetrol, a Turkish fuel group, is to make an international offering of 60.1m new shares, raising $20m (£12.1m).

Burmah Castrol, which will underwrite the issue, owns 42.5 per cent of Turcas. Its stake will be increased to 49 per cent if it takes all the new shares, and diluted to about 38 per cent if it takes no new shares.

The money will be used to repay debt and improve marketing and distribution of fuels and lubricants.

Argent deal

Argent Group has acquired the freehold of Tibbett & Britten Group's new high bay distribution warehouse at Bicester, Oxfordshire, for £14m.

The unit will provide 217,700 sq ft of temperature controlled warehouse on a 10 acre site.

The price represents an initial yield of 7.4 per cent rising to a guaranteed minimum of 9 per cent at first review. The lease is for 25 years and will start on completion of the development in late 1995.

Cosalt purchase

Cosalt is expanding its workwear division with the purchase, for about £1.2m cash, of certain assets and the associated workwear manufacturing business of the PUC Group, a subsidiary of Davis Service Group.

Cosalt has also entered into a three year trading agreement with Sunlight Service Group, PUC's sister company, for the supply of workwear garments.

COMPANY NEWS: UK

Unigate warns of dairy closures

By Roderick Oram, Consumer Industries Editor

Unigate, the food and distribution group, warned yesterday that it would have to close more dairies to help it adjust to sharp price increases by Milk Marque, successor to the Milk Marketing Board.

Announcing yesterday a rise in interim pre-tax profits from £50.3m to £53.7m, Mr Ross Buckland, chairman, said the restructuring cost and job losses were still being calculated. Turnover was £892.3m, against £1.01bn, which included £141.4m from discontinued activities.

Milk Marque's price increases were "a clear abuse...of its dominant supply position", he said. But he hoped to see some roll-back in prices after the dairy industry had sought redress through the government and the courts.

The increases lifted Unigate's costs this year by £40m, with rise of between 4 and 19 per cent depending on the product, giving an average of 11 per cent. Unigate reiterated its earlier warning that trading profits would be reduced by £10m in the full year.

It was recovering some of the costs after increasing the price of doorstep-delivered milk by 2p to 41p a pint in London and 40p outside and supermarkets had passed on most of the increase. It had also closed its Worthing dairy.

Unigate has signed up farmers to supply directly more than half its milk needs. It pays a small premium over the Milk Marque price but achieves benefits such as lower transport costs and the ability to work with farmers to tailor their supplies to Unigate's needs, Mr Buckland said.

He declined to comment on speculation that Unigate might bid for Dairy Crest, the manufacturing arm of the old MMB.

In the six months to September 30, Unigate Dairies' operating profits rose £100,000 to £18.7m on sales of £229.8m (£227.5m). Milk volumes, including acquisitions, rose 3 per cent but underlying sales were down slightly. Doorstep sales were down 12 per cent at an annual rate while supermarket sales rose.

Fresh foods, including the St Ivel and Malton brands, lifted operating profits by £4.3m to £14.7m on sales of £382.3m (£362.9m).

Profits at Wincanton, the distribution business, rose £100,000 to £10.7m on sales of £160m (£146m). It won new contracts but competitive pressures affected rates.

Profits from US restaurants fell by £1.6m to £6.1m as sales at its Black-eyed Pea chain fell by 5 per cent on a comparable restaurant basis. The chain, which Unigate still hopes to sell, is spending £10m by the end of 1995 on refurbishment.

The interim dividend is increased by 0.3p to 6.3p, payable from earnings per share up from 15.2p to 16.4p.

See Lex

Trevor Humphries

Doorstep threat: Ross Buckland with an early form of shop milk containers. 'Price rises an abuse of dominant market position'

WMI hopes to buy Attwoods' UK side

By Peggy Hollinger

Waste Management International, the London-quoted arm of WMX of the US, yesterday confirmed it hoped to buy Attwoods' UK businesses if shareholders rejected the hostile £364m bid from BrowningFerris Industries in favour of a break-up plan.

WMI said it would be likely to offer more than £100m for the UK operations, based on publicly available information. Recently an independent surveyors' report published as part of Attwoods' defence revalued the UK business from £97m to £130.6m.

WMI's interest comes as BFI is today expected to announce the terms of its final offer for the UK waste services group. Shareholders will have to balance what is widely expected to be a restructured offer from BFI with Attwoods' last ditch attempt to fend off the bid.

Attwoods has promised to pay shareholders a cash sum upon the sale of the UK and European businesses. It then plans to seek a potential purchaser or merger partner for its US operations.

These actions would deliver substantially more value than the current 109p per share offer from BFI, Attwoods argues.

The break-up plan has been criticised by BFI for failing to produce the names of potential buyers or offers for the businesses.

WMI said yesterday it could not provide a firm value for the UK operations until it had done due diligence.

BFI said yesterday WMI's comments "showed up the weaknesses of the break-up plan".

Mr Philip Angell of BFI said his company was offering 1.5 times revenue for the whole of Attwoods.

WMI was suggesting, with an offer of £100m, a similar multiple for Attwoods best assets alone. "It shows the bankruptcy of the break-up strategy," he said, "because the other assets will come in less than that."

Vosper advances 13% as orders top £600m

By Andrew Bolger

Vosper Thornycroft Holdings, the Southampton-based warship builder and engineering group, increased pre-tax profits by 13 per cent to £10.3m in the six months to September 30.

Sales grew by 12 per cent to £129m, with 82 per cent coming from exports. The group said more than 20 per cent of turnover now came from activities independent of warship contracts.

The current order book is worth in excess of £600m, 70 per cent of which is for export.

Mr Peter Usher, chairman, said it was particularly satisfying that the group had won the competition for Sandown Class minehunters for the Royal Navy in July, and that the Ministry of Defence had placed an order for seven ships.

He said: "This will provide a base load of about one ship per year until 2001, and will enhance our position in overseas markets."

Mr Usher said this was a turbulent period in the history of the defence industry, with the ongoing bids for VSEL, the Cumbrian-based submarine maker, the recent sale of assets at Swan Hunter and the forthcoming sale of Devonport and Rosyth dockyards.

The chairman said that if either British Aerospace or GEC won control of VSEL, Vosper would be in a "David and Goliath" situation, but insisted: "We are sufficiently well managed to be sprightly on our feet, to take on the competition."

Vosper has net cash of £134m, compared with £116m at the year-end. The group said this gave it the financial capacity to bond large contracts - such as the next batch of Type 23 warships, which it will bid for.

Earnings per share increased 10 per cent to 21.6p (19.6p) and the interim dividend is lifted by 15 per cent to 6.1p (5.3p).

● COMMENT

Vosper is determined not to be written off as a small boat-builder on the south coast, hence its emphasis yesterday on being able to build warships as big as the Type 23 at Southampton. For bigger vessels, such as new Royal Navy landing platform dock assault ship, the group says it could still act as prime contractor, but have the construction done elsewhere. Forecast full-year profits of £24.3m put the shares, unchanged yesterday at 743p, on a prospective multiple of 14.6 – a small premium to the market. The shares are underpinned at this level by the solid order book, but could advance further on news of gaining further significant contracts.

Boots used CSFB for drugs disposal

By Nicholas Denton

Boots passed over SG Warburg, its officially listed financial adviser, and turned to CS First Boston to handle the £850m sale, announced this week, of its drugs business to BASF of Germany.

"We wanted somebody with a dispassionate view of the market," the retail group said. "The reason we chose CSFB was that they had broad international experience of the healthcare market."

None of the parties would confirm whether Warburg had bid for the mandate on the sale of the pharmaceutical business but Boots did say that it had been prepared to listen to what anyone would say.

Despite its absence on the deal with BASF, Warburg nevertheless managed Boots's £508m share buy-back, the largest ever on the London market, a role which played to its strengths in distribution.

On Boots' choice of adviser Warburg said: "Big companies like Boots are very sophisticated users of investment banking services. They don't just buy from one particular source."

In a similar recent case, Reckitt & Colman used Goldman Sachs of the US to sell the Colman mustard business while retaining established adviser Warburg to handle a US acquisition.

US companies also look more broadly for advice and Warburg stands to benefit from that. The UK house pointed at its work last year restructuring Marriott, the US hotel group.

Large UK companies have become steadily less attached to their established financial advisers named in the Crawford's directory of city connections. Boots said CSFB had been hired over Warburg precisely "because they weren't our traditional advisers".

CSFB, while bringing what Boots hoped was a fresher perspective to the sale, has previously worked with Boots on disposals in the US in 1989-90.

GWR acquisition plan is blocked by Radio Authority

By Raymond Snoddy

GWR, the expanding Bristol-based commercial radio group, has had an acquisition plan blocked by the Radio Authority, even though a similar scheme involving Emap and Trans World Communications was accepted.

The GWR plan, like the Emap deal, sought to use a loophole in the 1990 Broadcasting Act to own more radio licences than the Act allowed.

The Emap scheme involved setting up a "deadlocked" company between the media group and Schroders, its merchant bank. Each owned 50 per cent of the share capital of the new company, which was designed to hold two Trans World radio licences.

By excluding the two Radio City licences from Emap's total, the group was able to push ahead with a bid for Trans World.

The Radio Authority view was that the device was legal, a view that survived a judicial review granted to the Guardian Media group, which owned 20 per cent of Trans World.

The High Court ruled that the Radio Authority had not acted outside its powers.

After the judicial review, which appeared to clear the way for a rationalisation of the industry, GWR applied to the authority for permission to push ahead with a takeover on a similar basis. This was rejected.

The Radio Authority view is that it will not authorise any further "deadlocked" company deals as a way around the concentration of ownership rules until the government makes its legislative intentions clear.

It is believed the authority has been unable to get any view of what the government has in mind from Mr Stephen Dorrell, the National Heritage secretary.

The government is planning either a green or a white paper on the media some time next year, with the possibility of changing the rules on cross-media ownership in the 1995-96 parliamentary session.

GWR declined to comment last night.

Towry Law shares tumble 44p following loss warning

By Bethan Hutton

Shares in Towry Law dropped 44p to 86p yesterday after the independent financial advice group warned that it expected losses of £1.25m at the half year, compared with pre-tax profits of £565,000.

Mr Alan Wesley, chief executive, said poor stock market conditions had made investors nervous about making new commitments. The company has also been affected by the public's loss of confidence in financial advice following adverse publicity.

However, Mr Wesley said that provisions made at the full year to cover the extra costs of complying with SIB requirements on the review of pension transfer business would not be needed. The company now expects to review 500 cases rather than the previous estimate of 1,600, and it does not expect the impact of the review to be material.

Trading income in the first four months of the year was down 10 per cent, with the biggest decline in investment products. Pension income has remained steady, while general insurance business is 10 per cent lower.

The company has accelerated a cost-cutting programme which had already been planned: it warned in September that it would affect profitability in the first half. Staff numbers are to be reduced by 15 per cent in the 12 months to July 1 1995, through compulsory redundancies and natural wastage. About half that target has already been met.

The cost-cutting programme is also intended to cope with the effect of higher compliance and disclosure standards from the new year. Mr Cecil Law, chairman, said it was intended to maintain the interim dividend due in April 1995.

There are few other quoted IFAs, but the impact of industry-wide poor market conditions, adverse public perceptions and regulatory changes is likely be even more severe on smaller firms.

Everest Foods shares up 13p after AGM

By Geoff Dyer

Shares in Everest Foods rose 13p to 69p after the annual meeting was told that the potato chip producer would return to previous levels of profitability.

Mr Bob Gilbert, chairman, announced that strong demand for an expanded product range had led to increased sales and "acceptable margins" in the core business.

Everest, which also owns Ashfords, the food distributor, reported a 47 per cent decrease in pre-tax profits from £2.09m to £1.1m in the year ending May 31.

The dividend for the year was cut to 2.5p (3.7p). A move to low-cost economy products by supermarkets had affected margins in the frozen chips business.

Mr Gilbert said the group was currently realising the effect of efficiencies introduced in the manufacturing processes. This would improve profitability despite the rise in potato prices which had resulted from a potato shortage.

VTR expands 52% to £1.34m

VTR, which provides video post production facilities, raised pre-tax profits by 52 per cent from £884,144 to £1.34m for the year to August 31.

The result included a £106,851 (£119,465) profit on the sale of equipment and was struck after write-downs which increased the depreciation charge by £102,038.

Earnings per share increased from 7.3p to 10.5p, while a final dividend of 2.55p makes a total of 4p (3.75p), on capital increased by May's £2.95m rights issue.

Mr Philip Lovegrove, chairman, said that with all subsidiaries budgeted to be profitable, the board expects to report further growth in the current year.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Adam & Harvey	int	8.5	Jan 8	8	-	17
Capital Radio	fin	5†	Jan 20	4	7.25	5.75
Channel	int	0.55†	Jan 4	0.5	-	1.2
Essex & Suffolk	int	40.8	Dec 21	-	-	40.58
Finsbury Growth	fin	2	Dec 22	2	2.9	2.9
Hambros	int	4.5	Dec 23	4.5	-	15
Land Securities	int	6.85	Jan 5	6.6	-	24
Lynx §	fin	1.04	Feb 1	0.95	1.4	1.25
Property Parts	int	2.7	Jan 11	2.8	-	7.5
Unigate	int	6.3	Jan 6	6	-	17.3
Volex	int	6.7	Feb 8	6.5	-	18.1
Vosper	int	6.1	Jan 17	5.3	-	18
VTR	fin	2.55†	Dec 31	2.55	4	3.75
Young & Co's	int	7.25	Dec 18	7.25	-	15

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

NEWS DIGEST

Christie continues recovery

Christie Group, the business services company, has continued its recovery with pre-tax profits of £55,000 for the half year to September 30. Profits last time were just £11,000.

Mr Philip Gwyn, chairman, said growth was being seen in the principal markets of Christie & Co. The group was also supporting new activities such as Quest for Quality and Venners Computer Systems, which in their initial stages were loss-making.

Turnover of continuing operations advanced to £8.13m (£7.62m). Earnings per share rose from 0.05p to 0.23p.

Essex and Suffolk

Essex and Suffolk Water, the merged supply company controlled by Lyonnais Europe, announced pre-tax profits of £15.3m for the half year to September 30, against a pro forma £12.8m.

Turnover was £48.4m (£45.3m). Earnings per share were 119p and an interim dividend of 40.8p is declared.

British Empire Secs

British Empire Securities and General Trust, which specialises in undervalued asset situations, lifted net asset value per share by 14 per cent, from 92.82p to 105.83p, in the 12 months to September 30.

Earnings per share dipped to 1.03p (1.17p) but a proposed final dividend of 0.71p brings the total for the year to 0.96p (0.93p).

Sec Endowment

Securitised Endowment Contracts, which makes a market in assigned with-profits endowment policies, raised pre-tax profits by 52 per cent from £745,585 to £1.13m for the year to September 30. Turnover jumped 78 per cent to £19.3m.

Earnings per share came out at 5.43p (5.66p). A recommended final dividend of 2p makes a total of 3.5p.

In line with indications in last year's prospectus, the company intends to move from the USM to a full listing. The company hopes that dealings will begin in the latter half of next month.

The company is also implementing a corporate restructuring to facilitate the development of other trading activities, incorporating a change of name to SEC Group.

Finsbury Growth

Net asset value at Finsbury Growth Trust expanded from 112.9p to 116.9p per share in the year to September 30.

The 3.5 per cent rise compared with a modest gain over the same period of 0.3 per cent in the FT-SE-A All-Share Index and a fall of 0.4 per cent in the FT-SE 100.

Net revenue dipped to £1.07m (£1.37m), reflecting exceptional dividend income last time, a changed ACT rate, higher management fees and the absence this time of underwriting and dealing income.

Earnings per share were 2.3p (2.94p). The proposed final is held at 2p, maintaining the total at 2.9p and requiring a transfer of £278,000 from revenue reserves.

PUBLIC WORKS LOAN BOARD RATES

Effective November 15

Years	Quota loans* Loans* quota rates EP†	At††	maturity§	Higher* quota rates EP†	At††	maturity§
1			6⅝			6¾
Over 1 up to 2	6⅞	6⅞	7⅝	7	7	8
Over 2 up to 3	7⅝	7⅝	8⅛	7⅞	7⅞	8⅜
Over 3 up to 4	8⅛	8⅛	8⅜	8¼	8¼	8⅝
Over 4 up to 5	8⅜	8⅜	8⅝	8½	8½	8
Over 5 up to 6	8½	8⅝	8⅞	8⅝	8⅝	8
Over 6 up to 7	8⅝	8⅝	8⅞	8⅞	8⅞	9⅛
Over 7 up to 8	8¾	8⅞	8	8⅞	8⅞	9⅛
Over 8 up to 9	8⅞	8⅞	8	8⅞	9	9⅛
Over 9 up to 10	8⅞	8⅞	8	9	9	9⅛
Over 10 up to 15	8	9	9	9¼	9¼	9⅜
Over 15 up to 25	9	8	8⅞	9⅜	9⅜	9⅜
Over 25	8⅞	8⅞	8⅞	9⅜	9⅜	9⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). §With half-yearly payments of interest only.

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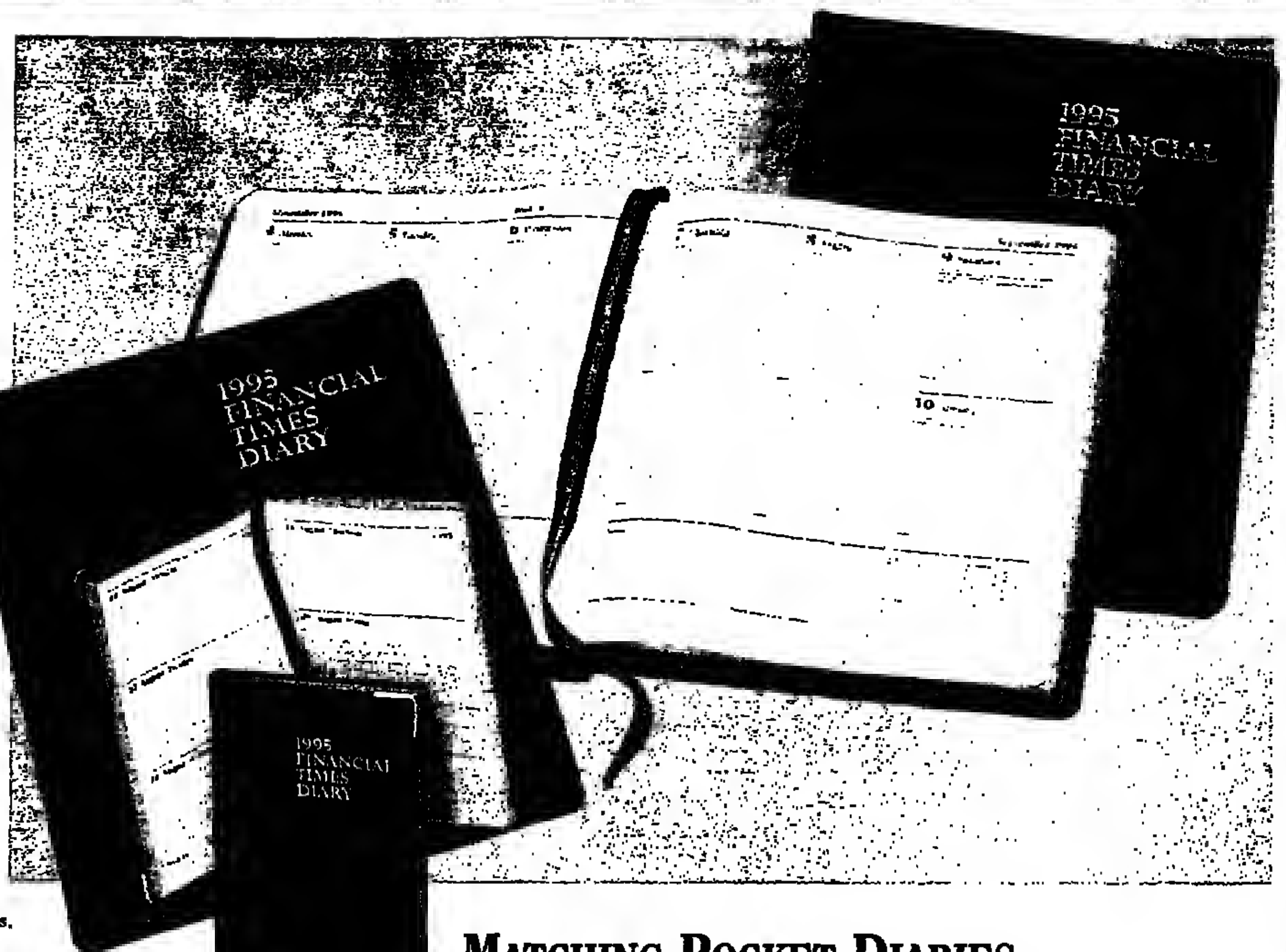

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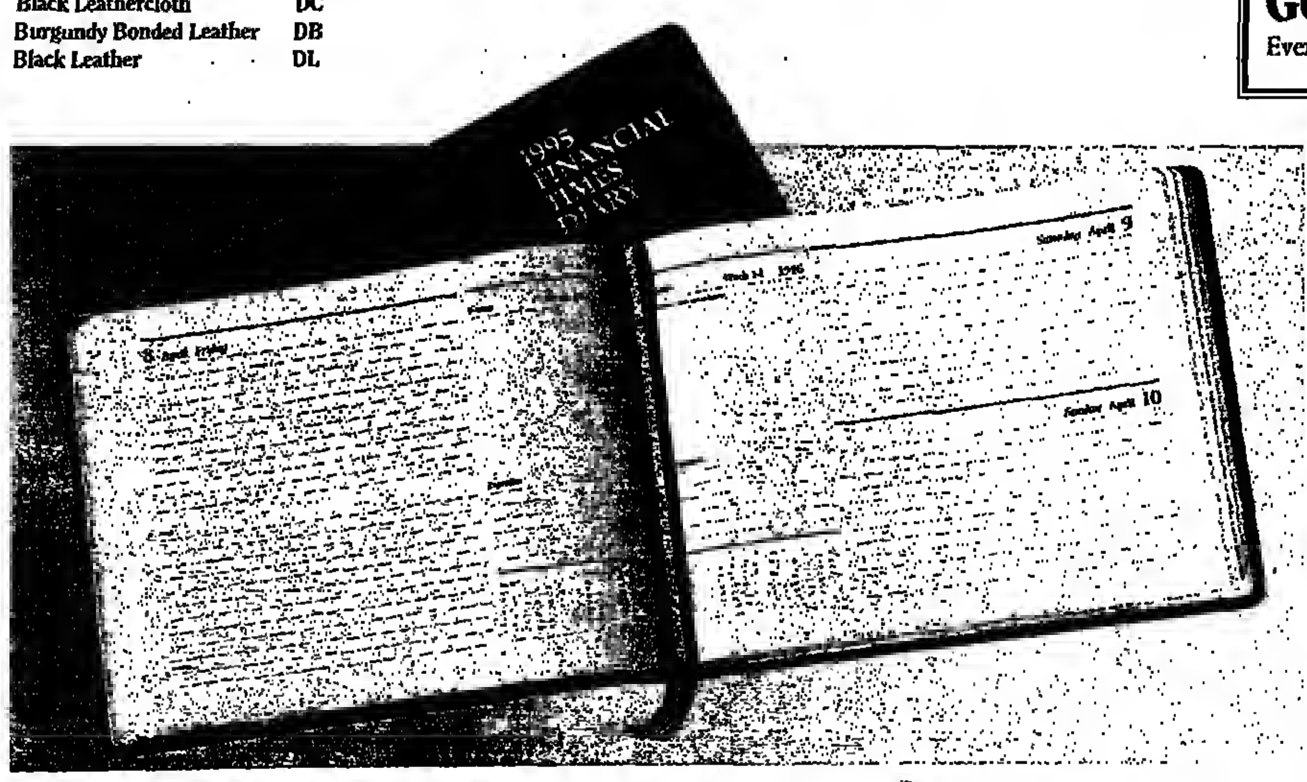

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North American Desk Diary	USDL	£41.10	£47.09	£44.83		
North American Pocket Diary	USDP	£ 15.00	£ 15.34	£ 13.32		
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COMMODITIES AND AGRICULTURE

Base metals soar in hectic trading at LME

By Kenneth Gooding, Mining Correspondent

In one of the most frenetic days on the London Metal Exchange in living memory, prices soared yesterday as wave after wave of investment fund and speculative buying took copper, aluminium and lead to fresh four-year peaks and nickel and zinc to their highest levels for two years.

Copper started the charge, surging by 3 per cent from its overnight price level, and this triggered new enthusiasm for other LME metals. "Everything went berserk," said one trader.

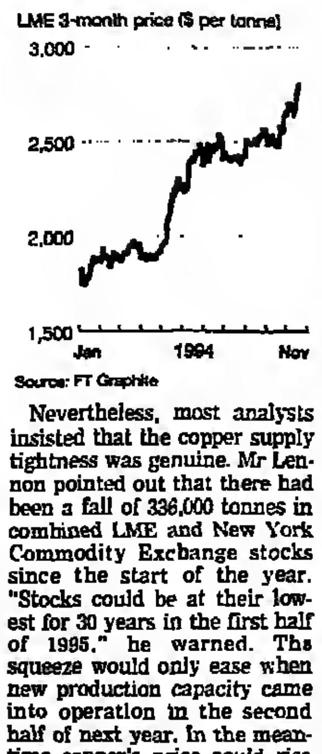
There were good fundamental reasons for copper's price rise, analysts suggested. But they questioned the ability of the other metals to sustain last night's price levels for long. "There has been indiscriminate buying by the funds because metals are supposed to be an attractive investment," said Mr Jim Lennon, analyst at Macquarie Equities. He pointed out that only copper and aluminium stocks on the LME were lower now than at the end of 1993. Lead, nickel, tin and zinc stocks were all 20 per cent higher and nickel stocks were close to their record.

Questions were also being asked about when the funds might take their considerable profits on copper and aluminium and possibly send prices plummeting. Mr Ted Arnold, analyst at Merrill Lynch, said it would be reasonable to expect a great deal of profit-taking by December 16 so that the funds could include the benefits in their December-quarter results. "But maybe they have protected their profits by option trading and we might go into the New Year and face an even bigger eventual drop." Mr Arnold added, however: "It takes a brave man to predict when the drop will come and by how much".

There were some suggestions that copper's price was being manipulated by an artificially-created squeeze. There were rumours that a large Japanese trading house and one or two US financial institutions were involved. The tightness of supply was indicated by the premium being paid last night for copper for immediate delivery compared with three months metal – $71.5 a tonne. Asked if the LME was worried, Mr David King, the chief executive, said: "We are always monitoring all markets but we are looking at copper more closely at the moment". The exchange has the power to intervene if it believes a "disorderly" market is developing.

Copper

LME 3-month price ($ per tonne)



Source: FT Graphite

Nevertheless, most analysts insisted that the copper supply tightness was genuine. Mr Lennon pointed out that there had been a fall of 336,000 tonnes in combined LME and New York Commodity Exchange stocks since the start of the year. "Stocks could be at their lowest for 30 years in the first half of 1995," he warned. The squeeze would only ease when new production capacity came into operation in the second half of next year. In the meantime copper's price could rise to more than $1.50 a pound ($3,306 a tonne).

EU to finance African mining investment forum

By Kenneth Gooding

The European Union is financing a forum to take place next month in Lusaka aimed at increasing European investment and co-operation in the Southern African mining industry.

About 200 European companies will attend the three-day, by-invitation-only event where they will be presented with details of nearly 200 projects in ten of the SADAC (Southern African Development Community) countries: Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

The EU points out that annual mineral production in the region is worth an estimated US$40bn and the mining sector's contribution to gross domestic product is substantial, averaging 11 per cent for the region.

Nevertheless, the potential for developing new small and medium-sized mines is large but this has not been realised because of lack of investment. The region also offers great exploration potential.

Two thirds of the forum time will be given over to private meetings between European and African company representatives and the EU says a computerised meeting scheduling system has been set up to facilitate these discussions.

N American newsprint price surge continues

By Bernard Simon in Toronto

Connecticut-based Champion International has kicked off this year's fourth round of newsprint price increases in North America.

Citing unexpectedly strong worldwide demand, Champion said that it planned to raise prices by about 9 per cent, or US$50 a tonne, on March 1. Other US and Canadian producers are likely to follow suit.

The increase, a combination of a cut in discounts and an increase in list prices, would bring the east coast newsprint price to about $600 a tonne, compared with $420 at the beginning of this year.

Buyers are likely to resist the increase. It could prove difficult to implement if predictions that the recent surge in demand may slacken in the first quarter of next year are borne out. For the time being however, producers appear to have the upper hand.

Consumption by US daily newspapers climbed by about 5 per cent in the first nine months of this year. Stone Container, the Chicago-based company, has contributed to the scramble by cutting shipments from its Snowflake mill in Arizona, which is being converted to liner-board production.

The squeeze on supplies in North America has been exacerbated by strong overseas demand, especially in the UK and south-east Asia. According to the Canadian Pulp and Paper Association, Canadian newsprint exports rose 15 per cent in the first nine months.

The short-term outlook hinges on labour developments in British Columbia. Workers at Fletcher Challenge Canada's three pulp and paper mills earlier this week voted in favour of a strike if no settlement was reached in protracted contract negotiations.

Tensions have been further inflamed by a dispute over MacMillan Bloedel's decision to seek bids from construction companies employing non-union labour.

Saudis to back oil quota roll-over

By Mark Nicholson in Riyadh

Saudi Arabia will back a six-month roll-over of the Organisation of Petroleum Exporting Countries' present output ceiling of 24.52m barrels a day at the oil cartel's meeting next week in Bali, Saudi officials said yesterday.

The officials said they believed the proposal would be supported by almost all other Opec members, with the possible exception of Iran, which appeared likely to seek a roll-over of the present ceiling only for a further quarter.

The Saudis believed that a maintained ceiling, which has been rolled over for more than a year already, would at least support present prices of just over $17 a barrel for Brent crude in a market they described as "balanced, leaning towards tight".

The officials said crude prices were unlikely to firm significantly unless there was unexpectedly accelerated growth in Europe, the US and Asia or a particularly cold winter. They said only unexpected increases in non-Opec output, particularly from the North Sea, would be likely to soften prices significantly from their present range. "The likelihood for a firming of prices is there – especially if there is a cold wave," said one official.

Secondary source estimates for actual Opec production in the present quarter are running in the range of 24.7m b/d to 25.1m b/d, of which Saudi Arabia says it accounts for marginally under 8m b/d.

Though Saudi officials would not give their estimates for the call on Opec oil for the next quarters, they appeared comfortable with projections of demand at between 25.8m b/d and 26.2m b/d, with a stock drawdown of between 500,000 and 1m b/d.

Saudi policy-makers are backing the roll-over having recognised that Opec is caught between being unable to increase the ceiling without softening the market and being unable to win agreement among members for any meaningful cuts in allocations. At best, they have concluded, Opec can at present serve as a "very important balancing force" in the oil market, but not a price setter.

Wheat output drive goes into reverse

By Mark Nicholson

Saudi Arabia is restricting this year's subsidised wheat crop to 2.8m tonnes and will reduce it further in future harvests to no more than 2m tonnes under a strict regime of subsidy cuts and tight control of wheat farming permits, according to Mr Abdallah Moammar, the kingdom's deputy minister of agriculture.

The grain harvest will be complete at the end of December, but Mr Moammar said his ministry and the state Grains and Silos Organisation had issued permits only for cultivation of 2.8m tonnes of wheat, and 1m tonnes of barley. "We know the farmers in these regions will meet these targets," he said. "If farmers produce any more, that's not going to be our responsibility."

Mr Moammar said the cash-strapped kingdom had been putting an end to years of hugely generous subsidies for wheat farming, which had seen annual harvests hit 4.7m tonnes and at one point made Saudi Arabia the sixth biggest wheat exporter. "There will be no more exports of wheat," the deputy minister said.

The subsidy programme began in the mid-1970s when Saudi Arabia decided to plough some of its new oil riches into a strategic bid for food self-sufficiency. At the time the kingdom produced only 3,000 tonnes of wheat a year. The policy was prompted partly by fears that the west might respond to the Arab oil embargo, backed by Saudi Arabia at the time, with a food embargo of its own.

But Mr Moammar said the overproduction of wheat caused by over-generous subsidies, had become "too much to handle. . . it was a waste on both sides: of water and money."

The deputy minister said wheat subsidies had been running at $2.5bn a year before recent cuts – a sum justified not merely by the aim of food security but also as sharing some of the kingdom's 1970s and early 1980s oil bounty across the country while helping prevent a rush from rural to urban communities. "It was a high cost, but the eventual results have meant a lot to the kingdom," said Mr Moammar.

He would not say how much of Saudi Arabia's limited underground water supplies wheat farming had consumed – some estimates put it at 90 per cent of annual use of fossil water – and denied that there was an immediate threat the kingdom's overall water supplies. "It has still not reached the level where there should be major concern," he said. "But it should be given attention from now. Now, with the controls being applied, this will help."

He said subsidies of SR3.5 (93 US cents) a kilogram had been cut in recent years to SR2, while licences for wheat cultivation had been strictly controlled. "Harvests will continue to go down until we reach 2m tonnes," he explained, "because that will give us what's needed for local consumption and strategic reserves."

He said annual domestic consumption of wheat in the kingdom was 1.3m tonnes and national storage capacity was 2.4m tonnes.

Mr Moammar said some land formerly under wheat had been left fallow since the cuts in both state subsidies and purchases, while other farmers had begun planting vegetables on the swathes of pivot-irrigated circles of reclaimed desert that were once under wheat. "The whole agricultural development in the kingdom is such an experiment," he said. "And it's time to sustain this experiment, but you don't need to expand it more."

'Small' reforms planned for EU sugar regime

The European Union's sugar marketing regime is working well and needs only minor changes to conform with the Uruguay Round accord in the General Agreement on Tariffs and Trade, agriculture commissioner Rene Steichen said yesterday, reports Reuters from Strasbourg.

"It's a reform, perhaps a small one, because at the moment we have no problem with this market," he explained after the commission adopted a proposal to modify the regime.

Beet sugar production quotas would be maintained at existing levels for the next six marketing years until the end of the Gatt accord in 2001. But quotas, or guaranteed prices, could be changed in view of market developments, Mr Steichen added.

The EU sugar regime provided a stable price, in contrast to the world market, and the only budget expenditure was for imports of cane sugar, the commissioner stated. The EU imports 1.3m tonnes of raw cane sugar at preferential rates from members' former colonies in the African, Caribbean and Pacific regions.

The regime is "self-financed" through production levies paid by farmers and processors.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1908.5-9.5	1924-5
Previous	1857-8	1875-6
High/low	1907/1906	1937/1888
AM Official	1914-6	1927-8
Kerb close		1922-3
Open int.	N/A	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1840-50	1870-5
Previous	1810-20	1845-55
High/low		1875/1860
AM Official	1845-65	1875-95
Kerb close		1870-5
Open int.	N/A	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	681-2	699-700
Previous	672-3	690-0.5
High/low	684	703/692
AM Official	683-4	700-1
Kerb close		695.5-6
Open int.	N/A	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7690-700	7820-30
Previous	7560-60	7675-7
High/low		7880/7716
AM Official	7700-16	7840-5
Kerb close		7770-5
Open int.	N/A	
Total daily turnover	N/A	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6215-25	6310-20
Previous	6200-10	6300-5
High/low		6390/6300
AM Official	6260-5	6355-60
Kerb close		6380-90
Open int.	N/A	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1186-7	1211-2
Previous	1164-5	1189-90
High/low		1214/1193
AM Official	1180-1	1204-5
Kerb close		1204-5
Open int.	N/A	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2913-8	2853-5
Previous	2772-3	2754-6
High/low		2860/2775
AM Official	2875-6	2820-1
Kerb close		2859-60
Open int.	N/A	
Total daily turnover	N/A	

■ LME AM Official £/$ rate: 1.5700
LME Closing £/$ rate: 1.5710

Spot:1.5720 3 mths:1.5713 6 mths:1.5691 9 mths:1.5670

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Nov	135.10	+5.10	135.20	133.50	1,231	167
Dec	134.35	+5.30	134.80	131.30	31,192	2,684
Jan	131.85	+4.15	131.00	130.30	926	46
Feb	130.35	+4.00	130.40	129.00	763	210
Mar	128.65	+3.50	129.30	127.50	15,785	6,055
Apr	126.35	+3.50	125.50	125.50	673	20
Total					61,272	10,021

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	386.00-386.40	
Opening	385.60-386.00	
Morning fix	385.50	244.933
Afternoon fix	386.25	246.333
Day's High	386.80-387.20	
Day's Low	385.20-385.60	
Previous close	386.80-387.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.91	6 months	5.29
2 months	5.04	12 months	5.77
3 months	5.09		

Silver Fix	p/troy oz.	US cts equiv.
Spot	329.85	519.00
3 months	334.75	526.60
6 months	339.70	534.00
1 year	352.40	552.60
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	387-390	246-248
Maple Leaf	389-392.65	-
New Sovereign	90-93	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Nov	385.1	-0.6	-	-	1	1
Dec	386.8	-0.6	387.6	385.8	74,349	18,375
Jan	388.5	-0.6	-	-	-	-
Feb	390.6	-0.5	391.3	389.5	27,869	4,030
Apr	394.3	-0.5	394.7	393.1	10,389	458
Jun	398.1	-0.4	398.7	397.8	10,581	1,253
Total					169,098	24,417

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Jan	416.4	-1.2	417.5	415.0	17,047	5,245
Apr	420.3	-1.2	421.8	420.0	7,295	88
Jul	425.3	-1.2	-	-	1,987	3
Oct	430.4	-1.2	432.0	432.0	557	7
Jan	433.4	-1.2	-	-	16	-
Total					26,731	5,363

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Dec	157.10	-1.75	157.75	156.50	3,589	692
Mar	158.65	-1.80	159.00	157.75	3,863	508
Jun	159.05	-1.80	-	-	544	53
Sep	158.55	-1.80	160.00	160.00	76	45
Total					8,172	1,338

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int.	Vol.
Nov	522.2	+1.3	528.0	528.0	8	-
Dec	523.2	+1.2	527.0	518.0	58,514	15,599
Jan	525.5	+1.2	523.0	523.0	67	-
Mar	531.5	+1.3	535.0	526.5	34,605	8,116
May	537.7	+1.3	541.0	534.0	9,529	88
Jul	543.9	+1.3	547.0	540.0	7,798	653
Total					131,753	24,860

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	17.55	-0.03	17.68	17.50	45,803	30,162
Jan	17.62	+0.01	17.75	17.57	103,767	47,775
Feb	17.57	-0.01	17.68	17.55	40,681	16,822
Mar	17.58	+0.03	17.64	17.53	27,314	8,788
Apr	17.54	+0.05	17.64	17.51	18,140	1,854
May	17.52	+0.01	17.56	17.48	13,081	1,794
Total					359,401	121,570

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	16.48	-0.21	16.78	16.45	29,272	12,748
Feb	16.35	-0.14	16.61	16.34	85,315	35,210
Mar	16.24	-0.09	16.48	16.24	24,178	7,526
Apr	16.20	-0.05	16.35	16.30	13,814	2,805
May	16.18	+0.03	16.35	16.18	5,682	195
Jun	16.21	+0.03	16.30	16.21	3,180	25
Total					146,880	60,278

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	48.70	+0.10	48.95	48.50	37,634	17,620
Jan	49.20	-	49.60	49.05	40,678	8,889
Feb	49.80	+0.10	50.10	49.75	23,548	7,304
Mar	49.60	+0.20	50.10	49.75	12,743	4,477
Apr	49.45	+0.35	49.45	49.30	9,195	2,826
May	48.90	+0.30	48.95	48.80	4,540	820
Total					154,880	46,114

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	149.75	-1.50	152.25	148.75	38,780	7,804
Jan	151.75	-1.50	154.25	151.75	24,630	3,118
Feb	153.25	-1.25	154.75	153.00	11,543	2,186
Mar	153.25	-1.00	154.75	153.00	8,070	803
Apr	151.50	-1.25	151.50	151.50	3,880	15
May	151.25	-1.00	-	-	765	-
Total					93,627	14,491

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.671	-0.084	1.749	1.670	25,631	15,756
Jan	1.850	-0.057	1.895	1.845	27,170	8,199
Feb	1.862	-0.043	1.910	1.850	16,105	1,817
Mar	1.845	-0.032	1.885	1.845	13,870	2,484
Apr	1.805	-0.032	1.840	1.800	7,173	396
May	1.820	-0.017	1.830	1.815	7,998	383
Total					147,731	28,988

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	57.10	-0.47	57.95	56.75	23,677	14,911
Jan	54.90	-0.29	55.40	54.70	23,064	8,054
Feb	54.10	-0.26	54.35	54.10	8,578	2,033
Mar	54.30	-0.01	54.40	54.10	4,523	602
Apr	57.90	-	-	-	5,234	224
May	56.40	+0.05	56.40	56.40	1,866	100
Total					78,348	24,878

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.00	+1.05	105.00	104.35	290	43
Jan	105.35	+0.70	105.50	104.80	2,003	103
Mar	107.35	+0.80	107.50	106.80	1,627	60
May	109.45	+0.75	109.00	108.50	1,639	18
Jul	111.25	+1.00	-	-	114	-
Sep	94.50	+1.15	94.75	94.00	43	16
Total					6,361	325

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	373/6	-4/4	377/6	372/0	24,681	6,185
Mar	385/2	-4/4	389/6	383/4	30,002	5,005
May	366/0	-3/2	368/4	366/2	4,662	316
Jul	335/2	-2/6	337/4	334/0	10,890	1,432
Sep	339/0	-3/2	340/4	339/4	158	35
Dec	349/4	-3/0	349/4	346/0	159	11
Total					78,785	13,160

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	216/6	-	217/6	216/2	85,727	25,735
Mar	227/6	-0/2	228/6	227/2	78,848	8,376
May	235/0	-0/4	236/4	234/2	29,767	1,262
Jul	240/0	-0/2	240/2	239/4	39,696	3,771
Sep	243/0	-1/2	245/0	243/2	3,719	272
Dec	247/6	-1/4	249/2	247/0	20,059	1,788
Total					257,886	42,386

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	100.00	-	100.00	100.00	-	10
Jan	102.85	+0.40	-	-	468	-
Mar	105.00	+0.75	105.00	104.50	130	10
May	106.00	+1.00	-	-	44	-
Sep	93.00	+1.00	-	-	20	-
Nov	95.00	+0.75	-	-	52	-
Total					714	20

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	558/6	-1/4	560/4	555/4	4,037	5,289
Jan	565/4	-3/4	570/4	563/0	54,836	31,870
Mar	574/6	-3/4	578/0	573/6	27,907	4,788
May	581/4	-3/6	585/0	580/2	14,146	1,772
Jul	586/4	-3/0	591/0	585/4	22,367	2,803
Aug	588/4	-3/4	592/0	588/4	1,747	235
Total					135,116	47,890

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	28.31	+0.03	28.44	27.88	35,870	12,612
Jan	27.11	-0.01	27.22	26.72	23,358	7,004
Mar	26.03	-0.07	26.35	25.75	18,753	3,647
May	25.18	-0.09	25.35	24.90	14,813	2,084
Jul	24.44	-0.08	24.70	24.25	8,612	1,865
Aug	24.10	-0.13	24.45	24.05	1,734	23
Total					110,816	28,281

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	158.6	-0.4	158.5	156.3	31,298	8,901
Jan	160.2	-0.6	161.0	158.8	20,807	5,283
Mar	164.3	-0.8	165.3	164.0	18,000	2,483
May	168.5	-0.5	168.5	168.0	10,870	811
Jul	173.7	-0.4	174.0	173.3	10,279	549
Aug	175.6	-0.4	176.1	175.8	2,082	82
Total					100,885	18,020

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	168.0	-	-	-	-	-
Mar	208.2	+15.5	207.0	205.0	1,511	406
Apr	255.0	-	-	-	-	-
May	265.0	-	-	-	-	-
Jun	250.0	-	-	-	-	-
Total					1,512	406

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1873	+23	1875	1860	250	8
Dec	1850	+50	1850	1820	386	6
Jan	1780	+45	1798	1718	1,681	70
Mar	1699	+41	1700	1665	908	75
Apr	1499	+25	-	-	132	-
Oct	1600	+47	-	-	78	1
Total					2,766	182

	Close	Prev
BFI	1834	1830

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	953	-3	958	950	18,713	1,377
Mar	978	-3	984	975	43,462	1,733
May	986	-4	993	985	14,575	2,299
Jul	997	-5	1006	998	8,684	1,276
Sep	1010	-5	1017	1009	12,307	1,171
Dec	1025	-4	1026	1025	9,243	45
Total					113,085	8,071

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	1272	-14	1280	1263	1,868	2,536
Mar	1315	-20	1329	1308	41,161	8,686
May	1342	-19	1352	1338	9,185	1,275
Jul	1366	-19	1377	1365	3,957	686
Sep	1389	-19	1400	1385	1,902	53
Dec	1419	-19	1429	1428	5,109	20
Total					86,836	13,288

■ COCOA (ICCO) (SDR's/tonne)

Nov. 15	Price	Prev. day
Daily	894.65	892.73

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Nov	3290	-35	3280	3270	370	13
Jan	3325	-26	3340	3285	9,887	2,412
Mar	3256	-33	3280	3241	7,600	1,543
May	3243	-50	3265	3225	1,538	374
Jul	3218	-72	3240	3220	1,240	53
Sep	3200	-70	3230	3210	2,138	94
Total					25,237	4,621

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	176.10	+4.85	176.30	169.00	8,865	3,883
Mar	181.25	+4.35	182.00	174.20	15,346	6,832
May	184.00	+4.50	184.00	177.00	5,843	1,249
Jul	185.50	+4.25	185.00	179.25	2,053	245
Sep	185.00	+3.50	185.00	181.50	1,001	58
Dec	187.05	+3.30	183.20	183.00	536	25
Total					32,180	12,413

■ COFFEE (ICO) (US cents/pound)

Nov. 15	Price	Prev. day
Comp. daily	169.27	172.72
15 day average	178.57	177.58

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	13.00	-	-	-	-	-
May	13.76	-0.05	-	-	90	-
Jul	13.88	-0.05	-	-	560	-
Oct	13.74	-0.04	-	-	450	-
Total					1,100	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	382.40	-1.00	383.00	380.80	10,312	904
May	377.10	-0.70	377.30	375.70	4,394	263
Aug	368.90	+0.20	369.10	367.00	2,295	300
Oct	341.70	-0.30	342.40	340.50	1,488	29
Dec	340.20	-0.10	-	-	100	-
Mar	340.80	-	-	-	261	-
Total					19,638	1,468

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Mar	13.56	-0.05	13.64	13.53	99,799	10,667
May	13.66	-0.05	13.67	13.55	30,051	2,353
Jul	13.47	-0.01	13.54	13.44	18,766	1,609
Oct	12.82	-0.01	12.84	12.78	18,344	828
Mar	12.38	+0.01	12.44	12.33	7,576	407
May	12.32	+0.01	12.32	12.32	253	35
Total					184,880	15,908

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Dec	74.40	-0.20	74.49	74.05	15,613	5,049
Mar	75.65	-	76.10	75.65	22,213	5,561
May	77.00	-0.05	77.18	76.70	7,782	441
Jul	77.56	-0.24	77.70	77.46	4,694	265
Oct	71.50	+0.10	71.80	71.25	343	29
Dec	70.50	-	70.60	70.15	3,267	166
Total					54,082	13,582

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open Int	Vol
Nov	111.25	+0.10	111.20	111.00	181	53
Jan	114.25	-0.70	115.40	113.50	19,851	1,465
Mar	117.35	-0.70	118.60	116.80	5,814	524
May	120.80	-0.70	121.00	119.50	1,709	20
Jul	123.80	-0.70	124.00	124.00	816	1
Sep	126.80	-0.85	-	-	1,306	20
Total					27,498	2,120

Cotton

Spot and shipment sales in Liverpool amounted to 424 tonnes for the week ended November 11, against none on the previous week. Renewed purchasing in many specialist styles attracted much attention. American qualities as well as Mali and Israeli growths moved off freely.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 16	Nov 15	month ago	year ago
2136.9	2139.0	2073.4	1621.3

■ CRB Futures (Base: 1967=100)

Nov 15	Nov 14	month ago	year ago
233.96	233.26	229.72	222.10

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	69.975	-0.350	70.400	69.700	27,419	5,088
Feb	68.875	-0.450	69.500	68.200	26,232	2,601
Apr	69.425	-0.250	69.800	69.275	15,906	1,108
Jun	65.875	-0.200	65.750	65.225	5,421	199
Aug	63.800	-0.325	64.250	63.700	1,679	68
Oct	64.750	-0.250	65.000	64.600	526	18
Total					77,294	9,005

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	32.025	-1.450	33.650	32.000	15,191	2,862
Feb	35.125	-1.450	36.400	35.100	11,781	1,521
Apr	36.800	-1.075	37.450	36.800	5,672	538
Jun	42.050	-0.675	42.550	41.750	2,934	135
Jul	41.775	-0.475	42.125	41.400	831	41
Aug	38.050	-0.300	39.250	38.800	455	48
Total					37,485	4,687

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	38.200	-2.000	40.500	38.800	8,271	1,710
Mar	39.075	-2.000	40.600	39.075	1,242	150
May	40.100	-1.850	41.500	40.050	364	28
Jul	40.750	-2.000	42.300	40.750	382	53
Aug	38.750	-2.000	40.800	39.750	87	2
Total					10,346	1,981

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ **ALUMINIUM (99.7%) LME**	Feb	May	Feb	May
1800	-	-	-	-
1850	-	-	-	-
1900	-	-	-	-
■ **COPPER (Grade A) LME**	Feb	May	Feb	May
2700	-	-	-	-
2750	-	-	-	-
2800	-	-	-	-
■ **COFFEE LCE**	Jan	Mar	Jan	Mar
3300	193	252	170	284
3350	171	234	198	316
3400	152	218	229	350
■ **COCOA LCE**	Dec	Mar	Dec	Mar
950	6	65	3	39
975	-	50	22	47
1000	-	39	47	61
■ **BRENT CRUDE IPE**	Jan	Apr	Jan	Apr
1650	57	90	51	107
1700	35	68	78	138
1750	21	54	115	172

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)		+or-
Dubai	$15.41-5.46z	-0.065
Brent Blend (dated)	$16.55-6.67	-0.26
Brent Blend (Jan)	$16.55-6.67	-0.06
W.T.I. (1pm est)	$17.49-7.51z	-0.05

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$177-179	+4.0
Gas Oil	$152-154	
Heavy Fuel Oil	$107-108	+2.5
Naphtha	$173-176	+1.6
Jet fuel	$175-176	-1.0
Diesel	$158-160	-1.0

Petroleum Argus. Tel. London (071) 359 8792

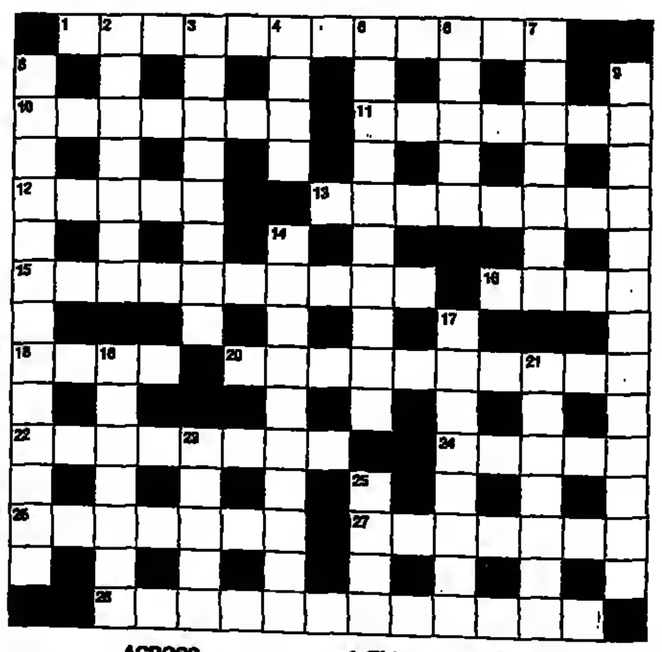
■ OTHER		
Gold (per troy oz)♣	$388.20	-0.75
Silver (per troy oz)♣	525.5c	+3.0
Platinum (per troy oz.)	$414.75	-2.10
Palladium (per troy oz.)	$156.50	-1.50
Copper (US prod.)	134.0c	+1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.74r	+0.24
Tin (New York)	294.5c	+4.0
Cattle (live weight)†	115.39p	+0.19*
Sheep (live weight)†♠	104.07p	+2.90*
Pigs (live weight)	76.73p	+1.55*
Lon. day sugar (raw)	$336.50	-0.40
Lon. day sugar (wte)	$394.00	+7.00
Tate & Lyle export	£327.00	+2.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	Unq.	
Wheat (US Dark North)	£165.0v	
Rubber (Dec)♥	67.25p	+1.00
Rubber (Jan)♥	68.75p	+1.00
Rubber (KL RSS No1 Jul)	342.0m	+1.00
Coconut Oil (Phil)§	$727.5q	+30.0
Palm Oil (Malay.)§	$722.5u	
Copra (Phil)§	$457.0v	-10.0
Soyabeans (US)	£165.0t	+1.0
Cotton Outlook'A' index	77.90c	+0.96
Wooltops (64s Super)	455p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Nov/Dec. v Nov/Dec. u Dec. z Jan. t Nov. q Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week © Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.80-7.82

JOTTER PAD

CROSSWORD

No.8,613 Set by HIGHLANDER



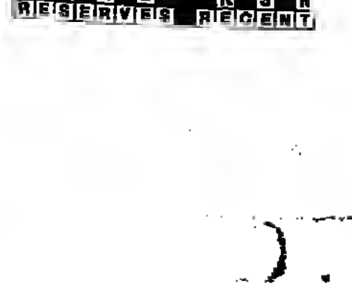
ACROSS

1 Quite large to look at and having the necessary power (12)
10 Produces property results (7)
11 Big fellow in gaol hit out (7)
12 Nobody with time to turn projection on piece of wood (5)
13 Stealthily gets near to telltale drink (6,2)
15 Simple component on a railway (10)
16 Ellis perhaps, having lost a pound? (4)
18 Blackbird's dish? (4)
20 Impeded old boy and almost hit Edward (10)
22 Distributed late – told off (8)
24 First-class – bowled spot-on (5)
26 Sexual stimuli from end of movement in Beethoven symphony (7)
27 Coiffures can be hard to dry off before parties (7)
28 Plump with her shape for a patriarchal type (6,6)

DOWN

2 Criminal act of receiver (7)
3 Not the first indication of hesitation from supporter (8)
4 Run with style (4)
5 Breathe new life into Green revolution with European levy (10)
6 This wood is light – lift up a chunk (5)
7 Passes last of the slips (7)
8 "Showing signs of exposure to the elements" one hears, if defeated (7-6)
9 Stockaan's going over plant in west London (9,4)
14 Firm friend with stall in same place? (10)
17 Drop the fish – make a pudding (8)
19 Rich source of oil has gone (4-3)
21 Put on the Unfinished, subject to sound of clap (7)
23 Wind is an unexpected event (5)
25 Cook – a heartless leader (4)

Solution 8,612



LONDON STOCK EXCHANGE

MARKET REPORT

Economic news drives equity prices higher

By Steve Thompson

An impressive set of domestic economic data, which drove UK gilts sharply better after an uncertain opening, came to the rescue of a London equity market showing distinct signs of running out of steam early yesterday.

The FT-SE 100-share Index finished another busy session a net 11.1 higher at 3,146.5, but well below the day's best of 3,168.1 reached shortly before Wall Street opened for business. Demand for equities was not confined to the leaders: the FT-SE Mid 250 index put on another powerful performance, closing 22 stronger at 3,582.7.

All the economic details released yesterday pointed to lessening inflationary pressures in the UK. This news, combined with the minutes of the recent meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, Governor of the Bank of England, which revealed that the two agreed there was no need for further increases in UK interest rates in the short term, gave a strong shot in the arm to gilts and equities. Before the economic news was announced, London's stock market had wilted after the late slide on Wall Street following the 75 basis-point rise in the Federal Funds rate.

The extent of the increase took the US market by surprise; most US analysts had expected the Federal Reserve to lift rates by 50 points and to warn of more rises if economic indicators pointed to further inflationary pressure.

But it was believed that yesterday's higher than expected US retail sales figures and other economic data had tipped the balance in favour of the larger rise in the US.

Leading dealers said the market had blazed ahead after the inflation news, with solid institutional demand driving the FT-SE 100 above 3,155, a level regarded as a major upside break point. "It was all one-way traffic until we reached 3,155," said one, "but once we got above that level it was all sellers; we seem to have reached a crucial trading level and we could face a bout of profit-taking tomorrow."

On the other hand, the head of marketmaking at one of the UK securities houses was unequivocally bullish of the London market. "There was never any real selling pressure and I feel that we could go further as long as Wall Street behaves," he said.

Strategists adopted a positive tone about the market. Mr Ian Harnett at Strauss Turnbull described yesterday's inflation news as "the perfect background for the chancellor to present a positive Budget; fears of an interest rise in the near term have diminished substantially". While Mr Richard Jeffrey, equity market strategist at Charterhouse Tilney, said the economic statistics were "a reminder that the UK is still doing very well".

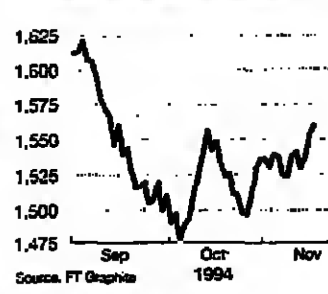
Another bull point, observers said, was the upsurge in activity in the market in the past two sessions which have witnessed a series of big individual trades, via institutional trading programmes, bought deals and buy-backs. Tuesday's surge of activity included customer business worth an extremely heavy £2.62bn, the highest for many weeks and inflated by Boots' £500m share buy-back and Goldman Sachs' £160m trading programme.

Turnover yesterday totalled 515.2m shares, with non-Footsie stocks accounting for 58 per cent.

The water and electricity stocks came in for strong support from the institutions, the latter after the electricity industry regulator indicated his willingness to see the individual regional electricity companies sell their holdings in the National Grid. Optimism over dividend prospects helped drive the water stocks forward.

Hints of imminent moves in the VSEL takeover battle produced keen support for the group, while dealers reported more murmurings of possible predatory moves against S.G. Warburg.

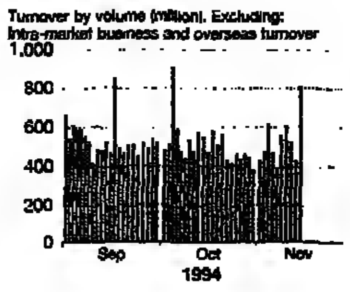
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key Indicators**

Indices and ratios

FT-SE 100	3146.5	+11.1
FT-SE Mid 250	3582.8	+22.1
FT-SE-A 350	1576.7	+6.5
FT-SE-A All-Share	1560.20	+6.30
FT-SE-A All-Share yield	3.90	(3.91)
FT Ordinary index	2418.6	+10.2
FT-SE-A Non Fins p/e	18.64	(18.60)
FT-SE 100 Fut Dec	3151.0	0.0
10 yr Gilt yield	8.53	(8.65)
Long gilt/equity yld ratio:	8.71	(2.24)

Best performing sectors

1	Engineering, Vehicles	+2.7
2	Merchant Banks	+2.4
3	Tobacco	+1.9
4	Building Materials	+1.5
5	Water	+1.4

Worst performing sectors

1	Life Assurance	-0.8
2	Property	-0.7
3	Extractive Inds	-0.2
4	Household Goods	-0.1
5	Pharmaceuticals	-0.1

Bid move boost for VSEL

VSEL was a clear feature among engineering shares, jumping 23 to 1405p following what was seen by the stock market as a dramatic shortening of the odds on GEC's bid for the company escaping a monopolies reference.

The catalyst was the interim results statement from defence contractor Vosper Thornycroft, which disclosed strong profits and dividend growth but - more importantly for VSEL - made it clear that Vosper was in a position to provide plenty of competing defence shipbuilding capability.

GEC is bidding 1400p a share cash for VSEL in direct counter to a share offer worth 1295p from British Aerospace, which put on a penny at 471p. The stock market has not ruled out a fresh offer from BAe, possibly next week.

Land Secs warning

Land Securities, the UK's largest quoted property group, tumbled 17 to 606p on turnover of 5.1m – the busiest session for 18 months – after warning about the second half.

Interim profits of £118.9m from £116m a year earlier were in line with market expectations, but Land said higher interest charges brought about by its increased development programme will make it difficult for end of year profits to match those of the first half. Sentiment was also dampened by a slightly lower than expected dividend of 6.85p.

Mr Robin White at NatWest Securities said: "This is confirmation from the major player in the sector that concerted rental growth has not yet returned."

Mr Alan Carter at James Capel, which issued a cautious note on the stock two weeks ago, said he was not surprised by yesterday's statement and said: "The profits decline in subsequent years has been anticipated."

The decline in Land Securities dragged MEPC, another leading property stock, lower by 8 to 408p.

De La Rue hit

Bank note printer De La Rue failed to maintain its sharp rise established after top of the range figures on Tuesday. Perceptions that the group's rating was too demanding was compounded by a sober appraisal of the prospects for the National Lottery.

De La Rue is one of the companies in the Camelot consortium which runs the Lottery, and one investment institution was believed to have been selling heavily after deciding its benefits were overvalued.

Once it began the rest of the market followed, taking the stock down 21 to 1013p with turnover reaching 3.7m, the highest for around four years.

A division of opinion over figures from British Gas ensured that it was one of the most actively traded stocks in London. The shares closed a penny firmer at 303½p with 9.8m changing hands.

British Gas's third-quarter losses, calculated on an historic cost basis, fell to £164m, from £225m previously. The figures were better than analysts' forecasts of between £178m and £222m. But at least one leading integrated securities house said they masked a one-off £40m boost from lower gas prices and the company would suffer from heavier than expected redundancies.

However, Nomura argued that the benefits of the cost cutting would show through in 1995 and 1996, while UBS told clients that Gas's three-pronged strategy to reduce costs, achieve medium growth out of the exploration and production side and boost long term growth was proceeding faster than hoped. The Queen's Speech news that Gas's monopoly is to be abolished had long been discounted and analysts are expected to raise end of year forecasts to above £900m.

British Airways made up some of its recent market underperformance, bouncing 12½ to 386p in turnover of 7.1m for a two-day advance of 20.

Dollar recovery and renewed focus on the strength of the airline's core business helped investors to shrug off more gloomy tidings on the USAir front. Legendary US investor Warren Buffett announced in an SEC filing that his Berkshire Hathaway group, which like BA has a big stake in USAir, could shortly take an earnings charge against the shareholding.

Eurotunnel retreated 12 to 272p, with turnover in Paris running at nearly five times the level of the 1.2m shares traded in London.

International conglomerate Hanson saw a surge of dealing after traders suspected that Hoare Govett, the company's broker, had published an enthusiastic recommendation. Hoare was unavailable for comment. The stock, restrained by a block of 4.2m shares traded just before the end of dealing on Tuesday, ended the day marginally firmer at 232½p with turnover hitting 12m.

BAT Industries advanced 8½ to 466½p, with Smith New Court backing the shares.

Motor industry engineers sprang to life, with GKN up 11 to 642p, T&N gaining 11 at 229p, and BBA adding 9 at 207p in 4.5m turnover, as the engineering sub-sector attempted to shake off a prolonged period of stock market weakness.

An 81-page study on the recently integrated FT distributors sector from NatWest Securities helped to underpin relevant stocks. Inchcape moved ahead 11 to 442p, while Farnell Electronics, the ambitious components distributor, jumped 17 to 530p.

The prospect of Euro Disney falling off the CAC 40 list of leading French stocks weakened the shares in London. They declined 4 to 106p.

Institutional buying in Ladbroke brought turnover of 13m. The shares added 2 at 157p.

Profit-taking in Boots, which has announced the sale of its pharmaceuticals division and a £500m share buy-back, saw the shares give up 8 to 517p.

Hopes of a share buy-back continued to underpin trading in Great Universal Stores. The shares appreciated another 4 to 574p.

Dairy group Unigate firmed 2 to 357p, after a 6.8 per cent increase in interim profits.

Profit-takers moved in on Vodafone, which has been strong ahead of next week's interim results, pushing the shares down 5½ to 215p. There was said to be heavy switching into BT and Cable and Wireless, both of which benefit from the upturn in the dollar. C&W jumped 5½ to 399p, and was also heavily traded in the options market.

Merchant bank S.G. Warburg jumped 24 to 671p as the benefits to the securities arm from an active market were compounded by resurgent takeover talk.

Financial advice group Towry Law, fell 44 to 86p after warning it expected to make a half-year loss of £1.25m, compared with a profit of £565,000.

MARKET REPORTERS: Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 27

NEW HIGHS AND LOWS FOR 1994

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EQUITY FUTURES AND OPTIONS TRADING

Stock index futures ended the day little changed, but once again trading volume was far in excess of the recent average, *writes Jeffrey Brown*.

With two-way business remaining strong, contract numbers during pit trading hours totalled 16,708, against 19,792 on Tuesday.

The FT-SE 100 December contract was 3152 at the official 4.10pm close, up just one point. The premium to the cash market was 3 points, short of fair value at 4 points.

Propelled by favourable UK inflation data, the market opened strongly and by mid-morning the December contract was running at a premium to cash equities in excess of 20 points.

But the general enthusiasm was tempered during the afternoon session when Wall Street, the immediate key to direction, made a faltering start to the day.

The December contract managed to edge up a few further points in late, screen-based trading and traders took distinct encouragement from the level of volume, which moved above 19,000 contracts.

Stock option volume also powered ahead, rising to 56,430 lots from 44,538 on Tuesday. FT-SE and Euro FT-SE trading exceeded 30,000 lots. Forte was the most active stock option at 2,450 lots, followed by two major banks, NatWest (1786) and Barclays (1736).

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3132.0	3151.0		3164.0	3130.0	18737	54731
Mar	3157.0	3187.5		3198.0	3155.0	328	4570
Jun	3213.0	3180.0	-1.0	3215.0	3213.0	15	60

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	3593.0	3602.5	25.5	3610.0	3593.0	7	4165

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Dec	-	3590.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3147) £10 per full index point

	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P	3250 C	3250 P	3300 C	3300 P
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Feb	[illegible]															
Jun†	[illegible]															

Calls 13,170 Puts 7,309

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2975	3025	3075	3125	3175	3225	3275	3325
Nov	[illegible]							
Dec	[illegible]							
Jan	[illegible]							
Mar	[illegible]							
Jun†	[illegible]							

Calls 4,357 Puts 5,391 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3400	3450	3500	3550	3600	3650	3700	3750
Dec	[illegible]							

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

FT-SE Actuaries Share Indices — The UK Series

	Nov 16	Day's chge%	Nov 15	Nov 14	Nov 11	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3146.5	+0.4	3135.4	3095.3	3075.9	3120.0	4.07	6.97	16.83	114.68	1195.37
FT-SE Mid 250	3582.8	+0.6	3560.7	3526.1	3536.5	3436.7	3.50	5.75	20.97	120.58	1342.27
FT-SE Mid 250 ex Inv Trusts	3583.3	+0.6	3563.2	3541.8	3540.5	3432.0	3.66	6.22	18.52	125.77	1339.86
FT-SE-A 350	1576.7	+0.4	1570.2	1562.4	1544.7	1552.0	3.94	6.59	17.71	56.48	1225.98
FT-SE SmallCap	1795.67	+0.4	1791.31	1777.56	1780.02	1759.68	3.31	4.90	25.09	51.24	1391.75
FT-SE SmallCap ex Inv Trusts	1752.94	+0.3	1748.45	1745.48	1748.86	1739.63	3.52	5.56	23.00	53.25	1369.88
FT-SE-A ALL-SHARE	1560.20	+0.4	1553.90	1537.31	1530.30	1536.05	3.90	6.57	18.08	55.16	1233.46

■ **FT-SE Actuaries All-Share**

	Nov 16	Day's chge%	Nov 15	Nov 14	Nov 11	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]										
12 Extractive Industries(4)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(11)	[illegible]										
20 GEN MANUFACTURERS(267)	[illegible]										
21 Building & Construction(33)	[illegible]										
22 Building Matls & Merchs(32)	[illegible]										
23 Chemicals(23)	[illegible]										
24 Diversified Industrials(16)	[illegible]										
25 Electronic & Elect Equip(34)	[illegible]										
26 Engineering(71)	[illegible]										
27 Engineering, Vehicles(12)	[illegible]										
28 Printing, Paper & Pckg(26)	[illegible]										
29 Textiles & Apparel(20)	[illegible]										
30 CONSUMER GOODS(87)	[illegible]										
31 Breweries(17)	[illegible]										
32 Spirits, Wines & Ciders(10)	[illegible]										
33 Food Manufacturers(23)	[illegible]										
34 Household Goods(13)	[illegible]										
36 Health Care(21)	[illegible]										
37 Pharmaceuticals(12)	[illegible]										
38 Tobacco(1)	[illegible]										
40 SERVICES(219)	[illegible]										
41 Distributors(30)	[illegible]										
42 Leisure & Hotels(25)	[illegible]										
43 Media(30)	[illegible]										
44 Retailers, Food(16)	[illegible]										
45 Retailers, General(45)	[illegible]										
48 Support Services(41)	[illegible]										
49 Transport(16)	[illegible]										
51 Other Services & Business(7)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(17)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(4)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(627)	[illegible]										
70 FINANCIALS(104)	[illegible]										
71 Banks(10)	[illegible]										
73 Insurance(17)	[illegible]										
74 Life Assurance(6)	[illegible]										
75 Merchant Banks(6)	[illegible]										
77 Other Financial(24)	[illegible]										
79 Property(41)	[illegible]										
80 INVESTMENT TRUSTS(124)	[illegible]										
89 FT-SE-A ALL-SHARE(855)	[illegible]										

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	High/day	Low/day
FT-SE 100	3133.5	3134.0	3154.2	3154.2	3158.3	3161.2	3167.4	3160.4	3147.8	3168.1	3125.8
FT-SE Mid 250	3562.5	3562.5	3568.7	3573.9	3581.5	3584.4	3587.2	3583.0	3587.6	[illegible]	3561.2
FT-SE-A 350	1569.5	1569.9	1578.3	1578.8	1581.5	1582.5	1585.3	1582.6	1577.1	1585.5	1566.8

Time of FT-SE 100 Day's high: 1.48pm Day's low: 8.58am. FT-SE 100 1994 High: 3520.3 (2/2) Low: 2876.6 (24/6).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	Close	Previous	Change
Bldg & Cnstrcn	998.6	997.4	1001.2	1001.1	1003.8	1005.8	1006.9	1007.0	1003.9	1003.2	995.6	+7.6
Pharmaceuticals	3085.9	3083.0	3099.2	3095.7	3101.6	3098.7	3102.9	3096.1	3090.1	3091.8	[illegible]	-3.4
Water	1582.3	1860.6	1869.2	1872.6	1881.4	1881.3	1881.6	1882.1	1879.3	1880.7	1854.8	+25.9
Banks	3014.1	3018.8	3041.5	3056.0	3039.0	3045.8	3061.3	3047.5	3035.4	3038.0	3013.7	-22.3

[illegible]

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]			

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option	Calls			Puts		
[illegible]						

Underlying security price. Premiums shown are based on settlement prices. November 16 Total contracts: 58,414 Calls: 24,260 Puts: 32,154

FT GOLD MINES INDEX

	Nov 16	% chg on day	Nov 15	Nov 14	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2076.00	+0.4	2067.45	2089.21	2088.70	2.09	2367.40	1762.62
■ Regional indices								
Africa (16)	3383.59	-0.7	3341.84	3389.12	2863.16	4.12	3711.87	2294.45
Australasia (11)	2649.98	+1.8	2641.46	2568.37	2271.28	1.65	3013.89	2171.86
North America (11)	1620.77	-0.1	1604.20	1618.26	1842.60	0.53	2039.85	1486.11

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	62	2	7
Other Fixed Interest	0	0	14
Mineral Extraction	80	30	86
General Manufacturers	172	80	372
Consumer Goods	45	27	111
Services	114	62	318
Utilities	22	4	3
Financials	144	31	189
Investment Trusts	171	22	272
Others	51	28	37
Totals	880	286	1415

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 7	Expiry	February 6
Last Dealings	November 18	Settlement	February 23

Calls: Air Lon., Bullers, Calluna, Gulfstream Res., Magnum Power, Royal Bk. Scot., Signet, Tadpole Tech., Tullow Oil. Puts: Magnum Power, Signet. Put & Call: Rodime

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
30	Nil	9/12	4½pm	1pm	Bullers	1pm	
210	Nil	20/12	41pm	18pm	Kenwood Appl	20pm	+1
18	Nil	28/11	3½pm	2½pm	Martin Int.	2½pm	
500	Nil	12/12	50pm	18pm	Matthew Clark	21pm	
27	Nil	22/11	¼pm	½pm	Novo	½pm	
55	Nil	23/12	15pm	11pm	Pressac	11pm	-2

FINANCIAL TIMES EQUITY INDICES

	Nov 16	Nov 15	Nov 14	Nov 11	Nov 10	Yr ago	*High	*Low
Ordinary Share	2418.6	2408.4	2379.7	2365.0	2384.1	2353.8	2713.6	2240.6
Ord. div. yield	4.28	4.29	4.35	4.37	4.34	3.93	4.81	3.43
Earn. yld. % full	6.20	6.23	6.30	6.34	6.29	4.90	6.81	3.82
P/E ratio net	18.64	18.64	18.34	18.25	18.36	27.23	29.43	16.54
P/E ratio nil	18.18	18.11	17.88	17.78	17.83	25.26	30.86	17.09

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94: low 49.4 26/6/40. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2408.1	2407.5	2420.5	2422.1	2428.2	2429.5	2431.5	2428.8	2420.7	2432.1	2402.7

	Nov 16	Nov 15	Nov 14	Nov 11	Nov 10
SEAQ bargains	31,156	30,763	25,669	28,387	24,490
Equity turnover (£m)†	-	2629.1	887.0	1080.0	1139.2
Equity bargains†	-	34,803	30,187	27,230	29,443
Shares traded (mil)†	-	605.4	436.8	435.4	521.3

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or −	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	+⅛	£23¾	£19⅞	8,626	5.0	ф
ANZ A$		171	−1	278¼	171	2,355	5.4	26.5
Abbey National	†NC	424	−2	523	380½	5,562	4.6	14.3
Allied Irish I£	&†NC	251	+3	314	233	1,673	5.0	9.0
Anglo Irish I£	NW	54	+2	*70	50	165.5	8.0	9.9
Asahi Y		672½	+3¾	819¼	636	16,614	0.7	ф
Banco Bil Viz Pta		£16¾	−⅛	£16⅞	£14½	3,748	5.1	7.3
Banco Sant Pta		£27¾		*£30½	£23¼	4,094	5.3	0.9
Bk Ireland I£	&†NC	250	+7	*319	248	1,375	5.0	8.3
Bank Scotland	&†NC	218xd	+1½	247	172½	2,544	3.0	12.3
9¼pc Pf		108¼xd	+¼	141½	108	108.2	10.7	–
9¾pc Pf		116¼xd	+¼	148½	111¼	113.2	10.8	–
Barclays	&†NC	616	+4	640	487	10,040	3.4	16.0
Dai Ichi Kan Y		£11⅛	+⅛	£12⅞	210⅝	34,517	0.5	–
Deutsche DM		£306⅝	−4⅝	£344¼	£270⅜	14,607	2.2	–
Espirito Santo		£9⅜	−⅛	*£13⅜	£7¾	183.7	4.4	4.3
First Nat Fin	NC	66		*90	60	111.4	2.6	–
6.3pc Cv Pf		72	+1	*90	70	4.84	10.9	–
7pc Cv Pf		124		171	123	58.8	7.1	–
Fuji Bank Y		1390¼	−12	1549¼	1152½	37,088	0.4	ф
HSBC HK	†NC	764xd	+10	1133	680	13,370	4.0	11.1
HSBC (75p Shs)	†NC	762xd	+12	1113	660	6,494	4.0	11.0
Lloyds	†NC	569	+1	660	519	7,639	4.0	11.8
Mitsubishi Y		£14¼	+⅛	£16⅞	£13⅜	41,079	0.4	ф
Mits Tst & Bk Y		880¼	+17¾	1182¼	687½	10,309	0.6	13.4
Mitsui Tst & Bk Y		672¾	+10¼	879	514	8,061	0.8	22.2

CHEMICALS

ELECTRONIC & ELECTRICAL EQPT - Cont.

EXTRACTIVE INDUSTRIES - Cont.

HEALTH CARE - Cont.

INVESTMENT TRUSTS - Cont.

BREWERIES

DISTRIBUTORS

HOUSEHOLD GOODS

ENGINEERING

INSURANCE

BUILDING & CONSTRUCTION

INVESTMENT TRUSTS

DIVERSIFIED INDUSTRIALS

FOOD MANUFACTURERS

BUILDING MATS. & MERCHANTS

ELECTRICITY

GAS DISTRIBUTION

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING, VEHICLES

HEALTH CARE

EXTRACTIVE INDUSTRIES

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

LEISURE & HOTELS - Cont.

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

PROPERTY - Cont.

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TRANSPORT - Cont.

WATER

AMERICANS

LIFE ASSURANCE

MEDIA

OTHER SERVICES & BUSINESSES

CANADIANS

TELECOMMUNICATIONS

OTHER INVESTMENT TRUSTS

TEXTILES & APPAREL

RETAILERS, FOOD

PHARMACEUTICALS

INVESTMENT COMPANIES

MERCHANT BANKS

PRINTING, PAPER & PACKAGING

RETAILERS, GENERAL

OIL EXPLORATION & PRODUCTION

TOBACCO

TRANSPORT

LEISURE & HOTELS

PROPERTY

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¼	—	£31¼	£13½	2,097	2.4	22.8
Barlow	§Z	£5⅞	—	£5⅞	£3⅜	1,017	0.9	-
Gold Flds Prop R		118xn	—	128	75	12.1	7.8	Φ
NK Props		08	—	08	88	3.94	12.4	-
SASOL	♥	529	—	592	280	3,088	2.7	-
SA Brews	†	£16¼	—	£16⅜	218	4,232	1.9	23.8
Tiger Oats		713	—	838	538	1,072	2.2	Φ
Tongaat-Hulett	†II	675	—	*695	358¼	810.2	2.1	18.5

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
S Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar steady as market sentiment improves

The dollar yesterday responded cautiously to the larger than expected rise in US interest rates on Tuesday, *writes Philip Gawith*.

While most analysts said the 75 basis point rise in the federal funds rate, to 5.5 per cent, was good news for the dollar, there was little evidence of this in the market.

Although the dollar managed to reach a high of DM1.56 in Europe, it then gave back its gains to close in London at DM1.5510, not far above the DM1.5445 where it stood before the rate rise. Against the yen it closed at Y98.38, from Y98.225 before the Fed's move.

One casualty of the firmer dollar has been sterling, which gave up more ground to finish at $1.5713, from $1.5826. At the beginning of the month it was around $1.64. Against the D-Mark, it finished at DM2.4371 from DM2.4456.

Analysts were slightly mystified about sterling's weakness, which comes against a backdrop of exceptionally good economic news.

UK interest rate markets, however, had a better day prompted by a benign set of economic data, and bullish inflation comments from the Treasury and Bank of England.

Volumes were heavy, and prices moved sharply, with the March 95 short sterling future trading around 85,000 lots to settle at 92.95, 16 basis points up on the day.

In Europe, the D-Mark was firmer against most currencies. Against the French franc it finished at FFr3.448 from FFr3.437.

■ The recent conjuncture of Fed intervention to support the dollar, Republican gains in the mid-term elections, and higher interest rates, have all combined to improve short term sentiment towards the dollar.

Mr Ian Gunner, international economist at Chase Manhattan, commented: "For the next couple of months it will be very difficult to sell the dollar for the reasons people having been selling it this year." He said the Fed's aggressive move had laid to rest fears that it was behind the curve in combatting inflation.

Mr Gunner was cautious, however, about the extent of the dollar's upside. "I still get the impression that there are a lot of dollars to sell out there, particularly from central banks diversifying out of the dollar as a reserve currency."

Mr Mark Austin, trader at Midland Global Markets, said the lack of movement in the dollar reflected market nervousness about the extent of any likely rally. "A feature of the dollar throughout the year has been disappointment. It has tended to give back gains quite quickly."

The dollar has now risen from a low of around DM1.49 when the Fed intervened to support it earlier this month. Mr Austin said it was encouraging that it had managed to hold onto these gains, but he was cautious about the medium-term outlook. "The structural problems are still there. Is it enough to persuade foreign companies to buy sufficient US assets to offset the large capital outflows?" he asked.

Mr Austin said most trade yesterday had appeared to come from US funds, with little evidence of activity from longer term investors.

Mr Gunner said that while there was room for a short-term correction in the dollar, there was interest to buy it "on the dips". He felt higher interest rates had put a "very strong floor" under the dollar. He predicted that, over three months, it could rise as high as DM1.625. On the downside, DM1.51 was a likely floor.

Conceding the shift in sentiment, Swiss Bank Corporation, told clients that the range for the dollar had now moved to DM1.53-59. SBC, who remain long term dollar bears, cited the prospect of another cut in German rates as a further factor supporting the dollar.

A feature of recent dollar gains is that they have been limited mostly to Europe. The yen has largely stood its ground. Analysts attribute this to high real interest rates in Japan, with the central bank resisting US pressure to ease policy, and ongoing trade frictions.

■ Analysts said the strong rally in short sterling futures had been prompted by good inflation news; both in the form of a very good underlying retail inflation figure for October, and bullish inflation signals emerging from the minutes of the September monthly monetary meeting.

In its daily operations, the Bank of England provided £805m of late assistance, after forecasting a £500m shortage.

Short Sterling

March 1995 contract, bid price

Source: FT Graphite

■ **Pound in New York**

Nov 15	—Latest—	— Prev. close —
£ spot	1.5715	1.5720
1 mth	1.5715	1.5719
3 mth	1.5712	1.5713
1 yr	1.5667	1.5644

■ **OTHER CURRENCIES**

Nov 16	£	$
Hungary	171.600 - 171.823	109.230 - 109.330
Iran	2777.60 - 2780.09	1748.00 - 1750.00
Kuwait	0.4695 - 0.4710	0.2989 - 0.2997
Poland	37240.5 - 37391.9	23705.0 - 23735.0
Russia	4932.02 - 4951.17	3142.00 - 3151.00
UAE	5.7674 - 5.7706	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1994	-0.0564	522 - 666	17.2532	17.0933	17.1651	0.3	17.1432	0.4	-	-	115.1
Belgium	(BFr)	50.1552	-0.1699	226 - 875	50.4220	49.9390	50.1252	0.7	50.0552	0.8	49.8152	0.5	118.9
Denmark	(DKr)	9.5296	-0.0314	234 - 357	9.5773	9.5169	9.5271	0.3	9.5418	-0.5	9.5214	0.1	118.7
Finland	(FM)	7.4310	+0.0018	222 - 407	7.4910	7.3970	-	-	-	-	-	-	83.7
France	(FFr)	8.3898	-0.0344	871 - 718	8.4242	8.3579	8.3674	0.3	8.3697	0.5	8.2918	0.8	109.8
Germany	(DM)	2.4371	+0.0085	366 - 385	2.4526	2.4334	2.4367	0.7	2.4315	0.9	2.3993	1.6	128.1
Greece	(Dr)	375.305	-1.859	997 - 612	377.286	374.753	-	-	-	-	-	-	67.7
Ireland	(I£)	1.0173	-0.0014	168 - 178	1.0205	1.0153	1.0171	0.2	1.0168	0.2	1.0185	-0.1	104.6
Italy	(L)	2495.01	-11.54	475 - 727	2510.07	2489.34	2501.61	-2.7	2513.01	-2.7	2563.51	-2.7	74.3
Luxembourg	(LFr)	50.1552	+0.1699	226 - 875	50.4220	49.9390	50.1252	0.7	50.0552	0.8	49.8152	0.5	118.9
Netherlands	(Fl)	2.7333	-0.0087	320 - 345	2.7472	2.7286	2.7318	0.6	2.7275	0.8	2.693	1.5	120.7
Norway	(NKr)	10.6649	-0.0395	613 - 685	10.7379	10.6399	10.6648	0.0	10.6665	-0.1	10.6655	0.0	95.5
Portugal	(Es)	248.737	-0.8	532 - 941	250.094	248.525	250.467	-8.3	253.647	-7.8	-	-	-
Spain	(Pta)	202.917	-0.56	831 - 003	203.735	202.408	203.247	-2.0	203.912	-2.0	208.527	-1.8	95.6
Sweden	(SKr)	11.5561	-0.03	460 - 661	11.6147	11.5003	11.5741	-2.0	11.6186	-2.1	11.7611	-1.8	76.4
Switzerland	(SFr)	2.0502	-0.0064	492 - 511	2.0512	2.0490	2.0471	1.8	2.0398	2.1	1.9973	2.6	121.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.7
Ecu	-	1.2796	-0.004	788 - 803	1.2858	1.2768	1.2797	0.0	1.2798	0.0	1.2741	0.4	-
SDR†	-	0.925090	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5711	-0.0118	707 - 714	1.5755	1.5639	-	-	-	-	-	-	-
Brazil	(R)	1.3058	-0.0141	050 - 076	1.3140	1.3009	-	-	-	-	-	-	-
Canada	(C$)	2.1430	-0.0136	422 - 438	2.1503	2.1354	2.142	0.8	2.1407	0.4	2.1393	0.2	88.7
Mexico	(New Peso)	5.4218	-0.0393	168 - 267	5.4348	5.4022	-	-	-	-	-	-	-
USA	($)	1.5713	-0.0113	710 - 716	1.5755	1.5636	1.5712	0.1	1.5709	0.1	1.5661	0.3	62.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0927	-0.006	913 - 941	2.0987	2.0601	2.0948	-1.2	2.0975	-0.9	2.1114	-0.9	-
Hong Kong	(HK$)	12.1448	-0.0858	418 - 480	12.1770	12.0858	12.1350	0.8	12.1310	0.4	12.0864	0.5	-
India	(Rs)	49.2917	-0.3768	833 - 050	49.3050	49.2783	-	-	-	-	-	-	-
Japan	(Y)	154.584	-0.892	507 - 661	155.661	154.280	154.134	3.5	153.118	3.8	147.994	4.3	100.4
Malaysia	(M$)	4.0296	-0.0273	280 - 312	4.0378	4.0106	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5356	-0.0155	331 - 381	2.5426	2.5260	2.5402	-2.2	2.5495	-2.2	2.5694	-1.3	-
Philippines	(Peso)	38.4184	-0.1168	182 - 185	38.8185	38.1310	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8934	-0.042	920 - 948	5.9091	5.8648	-	-	-	-	-	-	-
Singapore	(S$)	2.3138	-0.0157	125 - 150	2.3215	2.3047	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5432	-0.0286	409 - 454	5.5604	0.5195	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	8.4974	+0.001	804 - 143	8.5143	6.4705	-	-	-	-	-	-	-
South Korea	(Won)	1251.46	-8.81	114 - 177	1255.28	1245.41	-	-	-	-	-	-	-
Taiwan	(T$)	41.2859	-0.1944	725 - 993	41.3968	41.0691	-	-	-	-	-	-	-
Thailand	(Bt)	39.3265	-0.2689	111 - 419	39.4300	39.1420	-	-	-	-	-	-	-

†SDR rates for Nov 15. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.9505	+0.042	180 - 230	10.9745	10.9180	10.913	0.9	10.8965	0.9	10.799	1.1	104.3
Belgium	(BFr)	31.9195	+0.1195	050 - 340	32.0600	31.9050	31.8995	0.8	31.857	0.8	31.6945	0.7	105.9
Denmark	(DKr)	6.0648	-0.0233	620 - 675	6.0918	6.0620	6.0689	-0.4	6.0698	-0.3	6.0683	-0.4	105.2
Finland	(FM)	4.7295	+0.0325	245 - 345	4.7735	4.7010	4.7278	0.4	4.7245	0.4	4.7235	0.1	83.5
France	(FFr)	5.3265	+0.0101	260 - 270	5.3510	5.3260	5.3259	0.1	5.3228	0.3	5.305	0.4	108.1
Germany	(DM)	1.5510	+0.0056	505 - 515	1.5600	1.5505	1.5502	0.6	1.5481	0.8	1.5335	1.1	106.9
Greece	(Dr)	238.850	+0.65	700 - 000	239.750	238.700	239.1	-1.3	239.675	-1.4	241.925	-1.3	68.4
Ireland	(I£)	1.5445	+0.0089	441 - 451	1.5498	1.5395	1.5447	-0.2	1.5453	-0.2	1.5409	0.2	-
Italy	(L)	1588.25	+3.70	800 - 850	1594.00	1588.00	1591.7	-2.6	1599.25	-2.8	1632.75	-2.8	74.6
Luxembourg	(LFr)	31.9195	+0.1195	050 - 340	32.0600	31.9050	31.8995	0.8	31.857	0.8	31.6945	0.7	105.9
Netherlands	(Fl)	1.7395	+0.0068	390 - 400	1.7475	1.7390	1.7397	-0.1	1.7388	0.2	1.7223	1.0	105.9
Norway	(NKr)	6.7873	+0.0233	863 - 883	6.8204	6.7599	6.7965	-1.6	6.8138	-1.5	6.8498	-0.8	95.8
Portugal	(Es)	158.300	+0.62	000 - 400	159.020	158.200	158.825	-4.0	159.95	-4.2	163.55	-3.3	95.2
Spain	(Pta)	129.140	+0.565	110 - 170	129.560	129.110	129.565	-4.0	130.365	-3.8	132.99	-3.0	80.8
Sweden	(SKr)	7.3538	+0.0322	488 - 588	7.4200	7.3457	7.3685	-2.1	7.3938	-2.2	7.5168	-2.2	91.9
Switzerland	(SFr)	1.3046	+0.0053	044 - 051	1.3130	1.3044	1.3026	2.0	1.2983	2.0	1.271	2.2	107.1
UK	(£)	1.5713	-0.0113	710 - 716	1.5755	1.5636	1.5712	0.1	1.5709	0.1	1.5661	0.3	88.6
Ecu	-	1.2280	-0.005	275 - 285	1.2285	1.2225	1.228	0.0	1.2282	-0.1	1.235	-0.2	-
SDR†	-	1.46969	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0002	998 - 999	1.0000	0.9998	-	-	-	-	-	-	-
Brazil	(R)	0.8310	-0.003	300 - 320	0.8340	0.8300	-	-	-	-	-	-	-
Canada	(C$)	1.3639	+0.0012	636 - 641	1.3665	1.3625	1.3641	-0.1	1.3631	0.2	1.3674	-0.3	83.3
Mexico	(New Peso)	3.4505	-0.0003	480 - 530	3.4530	3.4480	3.4510	-0.3	3.4533	-0.3	3.4607	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3318	+0.0044	312 - 324	1.3328	1.3275	1.3325	-0.7	1.3343	-0.8	1.3471	-1.1	88.1
Hong Kong	(HK$)	7.7292	+0.0007	287 - 297	7.7297	7.7287	7.7272	0.3	7.726	0.2	7.7337	-0.1	-
India	(Rs)	31.3700	-0.0025	675 - 725	31.3750	31.3675	31.44	-2.7	31.585	-2.7	-	-	-
Japan	(Y)	98.3800	+0.155	500 - 100	98.7400	98.3500	98.1	3.4	97.43	3.7	94.675	3.8	150.7
Malaysia	(M$)	2.5645	-0.001	640 - 650	2.5650	2.5625	2.5615	1.4	2.557	1.2	2.565	-0.8	-
New Zealand	(NZ$)	1.6137	+0.0017	124 - 150	1.6155	1.6124	1.6146	-0.7	1.6171	-0.8	1.6261	-0.8	-
Philippines	(Peso)	24.4500	-0.1	000 - 000	24.7000	24.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0002	505 - 508	3.7508	3.7505	3.7543	-1.1	3.7612	-1.1	3.7757	-0.7	-
Singapore	(S$)	1.4725	+0.0005	720 - 730	1.4735	1.4717	1.471	1.3	1.4675	1.4	1.451	1.5	-
S Africa (Com.)	(R)	3.5278	+0.007	270 - 285	3.5295	3.5215	3.5433	-5.3	3.5754	-5.4	3.7403	-6.0	-
S Africa (Fin.)	(R)	4.1350	+0.03	250 - 450	4.1450	4.1100	4.163	-8.1	4.2075	-7.0	4.445	-7.5	-
South Korea	(Won)	796.450	-0.1	400 - 500	796.800	795.700	798.45	-4.5	802.95	-3.3	821.45	-3.1	-
Taiwan	(T$)	26.2750	+0.064	715 - 785	26.2835	26.2500	26.295	-0.9	26.335	-0.9	-	-	-
Thailand	(Bt)	25.0280	+0.008	230 - 330	25.0300	25.0250	25.0575	-1.4	25.1485	-1.9	25.553	-2.1	-

†SDR rate for Nov 15. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 15. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 16	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4 7/8	4 15/16	5 1/8	5 1/2	6 1/4	7.40	4.50	-
week ago	4 7/8	4 15/16	5 1/4	5 1/2	6 1/8	7.40	4.50	-
France	5 5/8	5 7/8	5 3/4	5 7/8	6 3/8	5.00	-	6.75
week ago	5 5/8	5 7/8	5 3/4	5 15/16	6 1/8	5.00	-	6.75
Germany	4.93	4.95	5.10	5.25	5.60	6.00	4.50	4.85
week ago	4.93	4.95	5.15	5.25	5.60	6.00	4.50	4.85
Ireland	5 1/8	5 1/4	5 3/4	6 1/8	7 1/8	-	-	6.25
week ago	5 1/8	5 1/4	5 3/4	6 1/8	7 1/8	-	-	6.25
Italy	8 1/8	8 1/4	8 5/8	9	9 3/4	-	7.50	8.20
week ago	8 1/4	8 1/4	8 3/4	9 1/8	9 13/16	-	7.50	8.20
Netherlands	4.84	5.04	5.23	5.34	5.75	-	5.25	-
week ago	4.84	5.04	5.24	5.36	5.76	-	5.25	-
Switzerland	3 1/4	3 11/16	4	4 3/8	4 5/8	6.625	3.50	-
week ago	3 3/4	3 11/16	4	4 1/2	4 1/2	6.625	3.50	-
US	5 3/4	5 1/2	5 7/8	6 1/4	6 3/4	-	4.75	-
week ago	4 7/8	5 1/2	5 3/4	6 1/8	6 13/16	-	4.00	-
Japan	2 1/8	2 1/4	2 3/8	2 1/2	2 3/4	-	1.75	-
week ago	2 1/4	2 1/4	2 3/8	2 1/2	2 3/4	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 3/4	5 15/16	6 1/8	6 13/16	-	-	-
week ago	-	5 3/4	5 13/16	5 1/2	6 3/4	-	-	-
US Dollar CDs	-	5.46	5.70	6.00	6.59	-	-	-
week ago	-	5.46	5.60	5.86	6.49	-	-	-
SDR Linked Ds	-	3 3/4	3 3/4	3 3/4	4	-	-	-
week ago	-	3 3/4	3 3/4	3 3/4	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5 1/4; 3 mths: 5 7/8; 6 mths: 6 1/8; 1 year: 6 3/4. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/4 - 5 1/8	5 1/2 - 5 3/8	6 1/8 - 6
Danish Krone	5 3/4 - 5 1/2	5 3/4 - 5 1/2	5 3/4 - 5 1/2	6 1/4 - 6	6 5/8 - 6 3/8	7 1/4 - 7
D-Mark	5 1/16 - 4 15/16	5 - 4 7/8	5 - 4 7/8	5 3/16 - 5 1/16	5 1/4 - 5 1/8	5 5/8 - 5 1/2
Dutch Guilder	5 - 4 13/16	5 1/16 - 4 15/16	5 1/4 - 5 1/8	5 1/4 - 5 1/8	5 3/8 - 5 1/4	6 1/16 - 5 15/16
French Franc	5 3/8 - 5 1/4	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 5/8 - 5 1/2	5 7/8 - 5 3/4	6 3/8 - 6 1/4
Portuguese Esc.	8 7/8 - 8 5/8	9 1/8 - 8 13/16	9 1/2 - 9 1/8	10 1/8 - 9 7/8	10 1/2 - 10	10 1/2 - 10 1/4
Spanish Peseta	7 5/8 - 7 7/16	7 9/16 - 7 7/16	7 9/16 - 7 7/16	8 - 7 7/8	8 3/8 - 8 1/4	9 1/8 - 9
Sterling	5 3/4 - 5 5/8	5 3/4 - 5 1/2	5 15/16 - 5 7/8	6 5/16 - 6 3/16	6 13/16 - 6 11/16	7 3/4 - 7 5/8
Swiss Franc	3 3/16 - 3 1/16	3 7/16 - 3 5/16	3 11/16 - 3 9/16	3 15/16 - 3 13/16	4 1/8 - 4	4 5/8 - 4 1/2
Can. Dollar	5 3/16 - 4 7/8	5 3/16 - 5 1/8	5 3/8 - 5 1/4	5 3/4 - 5 5/8	6 3/4 - 6 1/2	7 1/8 - 7
US Dollar	5 3/8 - 5 7/16	5 5/16 - 5 7/16	5 5/8 - 5 1/2	5 15/16 - 5 13/16	6 3/8 - 6 1/4	6 15/16 - 6 13/16
Italian Lira	8 - 7 1/2	8 3/4 - 8 1/4	8 3/4 - 8 1/4	8 5/8 - 8 7/16	9 - 8 7/8	9 3/4 - 9 5/8
Yen	2 1/4 - 2 3/16	2 5/16 - 2 1/4	2 5/16 - 2 1/4	2 3/8 - 2 5/16	2 1/2 - 2 7/16	2 27/32 - 2 23/32
Asian $Sing	2 7/8 - 2 3/4	3 3/16 - 2 15/16	3 1/4 - 3 1/8	3 1/2 - 3 3/8	3 3/4 - 3 5/8	4 1/8 - 4

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.29	94.30	+0.03	94.31	94.26	18,823	48,022
Mar	93.86	93.37	+0.03	93.89	93.84	21,349	38,728
Jun	93.48	93.51	+0.04	93.52	93.46	7,771	29,976
Sep	93.10	93.10	+0.02	93.21	93.13	5,905	21,109

■ **THREE MONTH EURODOLLAR** (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.93	93.89	-0.06	93.93	93.92	266	2460
Mar	93.42	93.36	-0.11	93.42	93.41	69	1369
Jun	92.94	92.86	-0.12	92.94	92.94	50	354
Sep	92.59	92.51	-0.08	92.59	92.58	120	81

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.84	94.82	-0.03	94.84	94.82	11874	138210
Mar	94.66	94.61	-0.06	94.66	94.60	34625	172408
Jun	94.34	94.27	-0.06	94.34	94.26	24708	118439
Sep	93.95	93.88	-0.06	93.95	93.88	14200	82826

■ **THREE MONTH EUROLIRA INT.RATE FUTURES** (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	91.20	91.12	-0.06	91.23	91.10	3897	31957
Mar	90.60	90.56	-0.05	90.68	90.53	4650	34820
Jun	90.00	89.99	-0.05	90.10	89.95	1230	15567
Sep	89.51	89.55	-0.06	89.64	89.51	1056	20971

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.91	95.94	+0.01	95.94	95.89	1792	18825
Mar	95.67	95.64	-0.06	95.67	95.61	6909	19570
Jun	95.29	95.34	-0.02	95.37	95.29	964	5044
Sep	94.96	95.01	-0.01	95.01	94.96	282	2894

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.99	94.03	+0.01	94.07	93.99	1292	8090
Mar	93.64	93.67	-	93.74	93.61	1083	7499
Jun	93.10	93.18	-	93.25	95.13	221	4208
Sep	92.66	92.69	-0.01	92.75	92.63	223	2360

* LIFFE futures traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 16		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.00	16.66	4.839	2.028	4978	5.448	21.25	495.8	404.5	23.03	4.087	1.994	4.272	3.132	308.2	2.448
Denmark	(DKr)	52.64	10	8.783	2.547	1.067	2618	2.868	11.18	261.0	212.9	12.12	2.151	1.049	2.249	1.648	162.2	1.289
France	(FFr)	59.94	11.39	10	2.900	1.215	2982	3.266	12.74	297.2	242.4	13.80	2.450	1.195	2.561	1.877	184.7	1.467
Germany	(DM)	20.67	3.926	3.449	1	0.419	1028	1.126	4.392	102.5	83.60	4.758	0.845	0.412	0.883	0.647	63.70	0.506
Ireland	(I£)	49.32	9.370	8.229	2.386	1	2454	2.687	10.48	244.5	199.5	11.36	2.016	0.983	2.107	1.545	152.0	1.207
Italy	(L)	2.010	0.382	0.335	0.097	0.041	100.	0.109	0.427	9.964	8.129	0.463	0.082	0.040	0.086	0.063	6.194	0.049
Netherlands	(Fl)	18.35	3.487	3.062	0.888	0.372	913.3	1	3.900	91.00	74.24	4.226	0.750	0.366	0.784	0.575	56.57	0.449
Norway	(NKr)	47.05	8.939	7.851	2.277	0.954	2341	2.564	10	233.3	190.3	10.83	1.923	0.938	2.010	1.474	145.0	1.152
Portugal	(Es)	20.17	3.832	3.365	0.976	0.409	1004	1.099	4.286	100.	81.56	4.644	0.824	0.402	0.862	0.632	62.19	0.494
Spain	(Pta)	24.72	4.699	4.125	1.196	0.501	1230	1.347	5.254	122.6	100.	5.692	1.010	0.493	1.056	0.774	76.20	0.605
Sweden	(SKr)	43.43	8.250	7.246	2.101	0.881	2191	2.366	9.229	215.3	175.7	10	1.775	0.866	1.855	1.360	133.9	1.063
Switzerland	(SFr)	24.47	4.648	4.082	1.184	0.496	1216	1.333	5.200	121.3	98.98	5.634	1	0.488	1.045	0.766	75.41	0.599
UK	(£)	50.16	9.529	8.369	2.427	1.017	2496	2.733	10.66	248.7	202.9	11.55	2.050	1	2.143	1.571	154.6	1.228
Canada	(C$)	23.41	4.447	3.905	1.133	0.475	1165	1.275	4.974	118.1	94.68	5.390	0.957	0.467	1	0.733	72.14	0.573
US	($)	31.93	6.066	5.327	1.545	0.647	1589	1.740	6.786	158.3	129.2	7.352	1.305	0.637	1.364	1	98.41	0.782
Japan	(Y)	32.45	6.164	5.413	1.570	0.658	1614	1.768	6.895	160.9	131.2	7.471	1.326	0.647	1.386	1.016	100.	0.794
Ecu		40.85	7.760	6.815	1.976	0.828	2033	2.226	8.681	202.5	165.2	9.406	1.669	0.814	1.745	1.279	125.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6430	0.6439	+0.0008	0.6440	0.6417	33,040	92,103
Mar	0.6445	0.6450	+0.0006	0.6450	0.6429	1,438	7,379
Jun	-	0.6465	-0.0045	0.6466	-	5	1,310

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0155	1.0182	+0.0027	1.0182	1.0153	21,944	71,077
Mar	1.0250	1.0265	+0.0023	1.0270	1.0244	524	8,570
Jun	1.0356	1.0355	+0.0006	1.0357	1.0356	8	718

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7640	0.7659	+0.0005	0.7664	0.7628	23,196	49,100
Mar	0.7678	0.7692	+0.0001	0.7692	0.7665	402	2,627
Jun	0.7723	0.7730	-0.0005	0.7730	0.7723	38	252

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5728	1.5680	-0.0086	1.5754	1.5648	15,129	46,197
Mar	1.5690	1.5662	-0.0076	1.5698	1.5636	122	742
Jun	-	1.5630	-0.0118	-	1.5630	29	20

UK INTEREST RATES

LONDON MONEY RATES

Nov 16	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 1/2 - 4 1/2	5 1/4 - 5	5 11/16 - 5 9/16	6 1/8 - 6	6 7/16 - 6 7/16	7 3/16 - 7 1/16
Sterling CDs	-	-	5 19/32 - 5 15/32	6 - 5 29/32	6 7/16 - 6 3/8	7 1/16 - 7 1/16
Treasury Bills	-	-	5 9/16 - 5 7/16	5 7/8 - 5 13/16	-	-
Bank Bills	-	-	5 9/16 - 5 7/16	5 31/32 - 5 29/32	6 7/16 - 6 3/8	-
Local authority deps.	4 13/16 - 4 13/16	5 3/16 - 5 1/16	5 5/8 - 5 1/2	6 1/16 - 5 15/16	6 9/16 - 6 7/16	7 3/16 - 7 3/16
Discount Market deps	0 - 4 1/2	5 1/4 - 5 1/8	-	-	-	-

UK clearing bank base lending rate 5 3/4 per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1 1/2	4	3 3/4	3 3/4	3 1/2

Certs of Tax dep. under £100,000 is 1 1/2pc. Deposits withdrawn for cash 3/4pc.
Ave. tender rate of discount 5.6488pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1994. Agreed rate for period Nov 26, 1994 to Dec 25, 1994, Schemes II & III 7.23pc. Reference rate for period Oct 1, 1994 to Oct 31, 1994, Schemes IV & V 5.966pc. Finance House Base Rate 6pc from Nov 1, 1994

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.57	93.69	+0.10	93.73	93.56	47413	135893
Mar	92.77	92.95	+0.16	93.01	92.72	87124	77931
Jun	92.18	92.36	+0.15	92.42	92.14	27048	58359
Sep	91.78	91.93	+0.15	91.98	91.71	22368	58399

Traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.24	0.08	0.08	0.05	0.63	1.22
9375	0.08	0.04	0.04	0.14	0.84	1.43
9400	0.02	0.01	0.02	0.33	1.06	1.66

Est. vol. total, Calls 32559 Puts 17388. Previous day's open int., Calls 347698 Puts 212520

EMS EUROPEAN CURRENCY UNIT RATES

Nov 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.14663	+0.00039	-2.26	5.62	-
Belgium	40.2123	39.3966	+0.005	-2.03	5.35	15
Germany	1.94964	1.91506	+0.00037	-1.77	5.08	-
Ireland	0.808628	0.798736	+0.00165	-1.22	4.49	0
France	6.53883	6.57389	-0.00648	0.54	2.87	-4
Denmark	7.43679	7.48436	+0.00579	0.64	2.56	-4
Portugal	192.854	195.334	-0.134	1.29	1.91	-9
Spain	154.250	159.210	-0.057	3.22	0.00	-22
NON ERM MEMBERS						
Greece	264.513	294.736	-0.086	11.43	-7.37	-
Italy	1793.19	1958.14	-4.72	9.20	-5.48	-
UK	0.786749	0.783827	+0.001902	-0.37	3.60	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.525	4.43	4.84	5.24	0.26	0.70	1.18
1.550	2.55	3.11	3.92	0.82	1.44	2.01
1.575	1.16	1.85	2.39	1.94	2.55	3.15
1.600	0.45	0.98	1.43	3.64	4.17	4.69
1.625	0.12	0.46	0.85	5.79	6.12	6.53
1.650	-	0.10	0.45	0.11	8.27	8.55

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.89	93.89	-0.01	93.94	93.87	176,550	411,383
Mar	93.39	93.39	-0.01	63.44	93.37	155,154	424,574
Jun	92.90	92.89	-0.03	92.97	92.89	82,436	309,386

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.48	94.49	-	94.51	94.48	1,480	16,741
Mar	93.96	93.96	+0.01	94.00	93.96	485	10,515
Jun	93.54	93.50	-0.01	93.54	93.50	522	9,410

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9475	0.11	0.06	0.08	0.11	0.04	0.20	0.22	0.25
9500	0.02	0.02	0.03	0.04	0.20	0.41	0.42	0.43
9525	0	0	0.01	0.02	0.43	0.64	0.65	0.66

Est. vol. total, Calls 8750 Puts 7725. Previous day's open int., Calls 217538 Puts 203738

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9575	0.21	0.13	0.11	0.02	0.24	0.52
9600	0.04	0.05	0.05	0.10	0.41	0.71
9625	0.01	0.02	0.02	0.32	0.63	0.93

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2815 Puts 1815

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk.	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	8		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 16 / Sch)

BELGIUM/LUXEMBOURG (Nov 16 / Frs.)

DENMARK (Nov 16 / Kr)

FINLAND (Nov 16 / Mkk)

FRANCE (Nov 16 / Frs.)

GERMANY (Nov 15 / Dm.)

ITALY (Nov 16 / Lire)

NETHERLANDS (Nov 16 / Fls.)

NORWAY (Nov 16 / Kroner)

SPAIN (Nov 16 / Pts.)

SWEDEN (Nov 16 / Kronor)

SWITZERLAND (Nov 16 / Frs.)

PACIFIC

JAPAN (Nov 16 / Yen)

HONG KONG (Nov 16 / H.K.$)

MALAYSIA (Nov 16 / MYR)

SINGAPORE (Nov 16 / S$)

AUSTRALIA (Nov 15 / Aus$)

NORTH AMERICA

CANADA

TORONTO (Nov 16 / Can $)

4 pm close

MONTREAL (Nov 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Nov 16 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. High/Lows are for 1994, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 16 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	13.0m	278	+2	Nippon Steel	5.5m	385	
S'tomo Metal	9.8m	338	-5	Kawasaki Steel	5.2m	418	-8
Itochu Corp	7.0m	737	-5	Nissan Motor	5.2m	795	+4
OKI	8.5m	737	-7	Hitachi	3.9m	973	-1
Mitsui Co	5.7m	863		Sharp	3.9m	1,800	+10

INDICES

US INDICES

Dow Jones	Nov 15	Nov 14	Nov 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3826.36	3829.73	3801.47	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.35	94.48	94.32	105.81 (21/1)	94.32 (11/11)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1484.37	1482.74	1472.25	1862.29 (2/2)	1438.50 (6/10)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	176.84	177.43	176.71	227.06 (3/1)	175.85 (20/9)	256.48 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3871.45 (3846.81) Low 3794.40 (3795.87) (Theoretical†)
Day's high 3856.31 (3833.77) Low 3807.86 (3798.10) (Actual†)

Standard and Poors	Nov 15	Nov 14	Nov 11	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	465.03	466.04	462.35	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	554.23	555.38	550.67	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/82)
Financial	42.64	42.75	42.51	46.94 (14/6)	41.39 (4/4)	48.48 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.92	254.84	253.25	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	448.61	448.72	448.04	487.89 (2/2)	422.67 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	769.02	768.14	762.12	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 11	Nov 4	Oct 28	Year ago
Dow Jones Ind. Div. Yield	2.79	2.79	2.70	2.71
	Nov 9	Nov 2	Oct 26	Year ago
S & P Ind. Div. yield	2.39	2.39	2.39	2.41
S & P Ind. P/E ratio	20.83	20.95	20.82	26.61

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	465.70	466.30	+0.65	467.60	465.25	65,005	206,380
Mar	469.30	469.15	+0.50	469.30	469.10	3,089	28,282
Jun	-	472.90	-	472.90	-	239	3,856

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

4 pm close November 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17⅝	12⅛	AAR	0.48	4.0	21	83	12⅜	d12⅛	12⅛	
18⅛	12⅝	A L Labs A	0.18	1.0	39	293	17¾	17¼	17¼	-½
79⅝	67⅜	AMP	1.68	2.3	22	4045	74¼	72½	73	-1
72¾	48⅛	AMR			109	1701	62	61⅝	61⅝	-¾
5	3⅜	ARX			12	95	3⅞	3¾	3¾	
56⅛	38⅝	ASA	2.00	4.2	31	532	47⅝	47¼	47⅜	-⅜
33	25⅝	AbbotL	0.76	2.4	17	5801	32⅝	32¼	32¼	-¼
15¼	11⅛	AbitibiPr	0.50	3.9	11	98	13	12⅞	12⅞	-⅛
23⅝	17¾	ABM Ind	0.52	2.6	12	25	20⅜	20⅜	20⅜	-⅛
16	11⅛	Acptncain			11	475	15	14⅝	14⅝	-⅛
31	22	ACE Ltd	0.44	1.9	23	116	23¾	23½	23½	
12½	8	ACM Gvt In x	1.09	12.0	8	461	9⅛	d9	9⅛	
10⅛	6⅞	ACM GvOpp x	0.80	11.4		182	7	d6⅞	7	+⅛
10⅝	6¼	ACM Gvt Sp x	0.96	14.5		523	6¾	6½	6⅝	
12	7⅝	ACM Gvt Se x	1.00	13.7		958	8	7¾	8	+⅛
11¾	7⅝	ACM Man x	1.08	13.7		423	7⅞	7⅝	7⅞	+⅛
8¼	6	ACM Managd x	0.72	8.9		151	8¼	8⅛	8¼	-⅛
15½	8⅜	AcmeClv	0.44	3.7	24	35	12	12	12	+⅛
13⅝	6½	Acme Elect			12	59	11⅞	11⅝	11⅞	+⅜
28¼	23	Acordia	0.60	2.1	14	33	28⅜	28¼	28⅜	+¼
13¾	5¼	Actava	0.36	3.8	2	112	9½	9¼	9⅜	
18⅛	11⅛	Acuson			27	1284	17	16⅞	16⅞	
16⅜	15⅞	Adams Expr x	0.68	4.2	6	197	16¼	16¼	16¼	
64	45½	Ad Micro	3.00	5.5		46	54⅝	54¼	54¼	
31¼	16¾	AdvMic	3.00	12.2	8	4209	25	24½	24⅝	-⅛
6⅞	6	Advest Grp	0.18	3.0	18	152	5⅞	5⅞	5¾	
20	16	Advo Inc	0.10	0.5	17	4	16¼	16¼	16¼	-⅛
64	49⅞	Aegon ADR	1.47	2.3	12	62	63⅝	63	63⅝	+⅞
65¼	44	Aetna	2.76	6.0	8	2202	46⅞	45⅜	45⅝	-1¼
36⅛	25¼	Aflac x	0.46	1.3	12	1596	34⅞	34¼	34¼	-⅛
22¾	16⅜	Ahmnsn x	0.88	5.1	10	3209	17½	17⅛	17¼	-¼
4	1⅜	Aileen Inc			1	34	1¾	1¾	1¾	
50⅜	38⅞	AirPrC	0.80	[illegible]	22	1584	46½	46	46¼	-¼
38⅞	18	Airbne Frt x	0.30	1.9	0	3891	16¼	16	16	-½
29⅞	19¾	Airgas Inc			34	667	27⅞	27⅛	27⅜	
17	14¾	Airlease	1.84	11.9	11	77	15¾	15½	15½	

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مكتبة الأمل

4 pm close November 16

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close November 16

AMEX COMPOSITE PRICES

4 pm close November 16

AMERICA

Dow volatile in reply to inflation figures

Wall Street

US share prices sustained another period of volatility yesterday morning amid confusion about the implications of a lower than expected increase in consumer prices and Tuesday's tightening of monetary policy by the Federal Reserve, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was up 5.05 at 3,831.41. The more broadly based Standard & Poor's 500 gained 0.14 at 465.17, while the American Stock Exchange composite put on 0.35 at 448.26. The Nasdaq composite was up 0.01 at 769.01. Trading volume on the NYSE came to 174m shares.

The Dow rose by more than 10 points in early trading after the Labor Department reported consumer prices for October, excluding food and energy, rose by 0.2 per cent, while analysts had expected a 0.3 per cent increase. Overall, consumer prices were up 0.1 per cent last month, bringing yearly inflation down to 2.6 per cent, from 3.0 per cent in September. Economists had forecast a 0.1 per cent increase in overall prices.

Neither the stock nor the bond markets were able to sustain the morning gains. At one stage the Dow was down more than 6 points before bouncing back.

Mr Richard McCabe, chief market analyst at securities firm Merrill Lynch attributed the volatility to uncertainty about the impact of the Fed's 75 basis point increase in the fed funds rate.

"It's sort of a double-edged sword," he said, adding that if the move cooled the economy it would keep inflation from eroding corporate earnings, but if the Fed continues to raise rates it would damage firms' ability to borrow.

In the near term, he said, whatever happened in the markets over the next few days could datermine whether the market staged an end-of-year rally. "Whichever way it starts to go, you'll get a following and you will see more money going in that direction," he said. "If it does hold up or go up, maybe it will blossom into a late November-early December rally."

Still, he forsaw overall weakness in most of the stock averages over the medium to long term.

Shares of Exxon rose $⅛ to $60⅝ on news that the oil company had signed a contract with the Indonesian state-owned oil and gas company to develop a natural gas field in the South China Sea. Mobil, which is also to negotiating for a part of the project, gained $⅞ at $84.

Interest sensitive banks lost ground in the aftermath of the Fed's rate increase. Citicorp fell $⅛ to $45⅝, Chase Manhattan lost $⅛ to $36¾, Chemical gave up $⅜ to $36⅛ and NationsBank dropped $⅛ to $47⅝.

National Gypsum jumped $12⅛ at $45⅛ after Dalcor offered to buy the company for $43½ a share or $940m cash. News that the construction materials company would be purchased for what was considered a premium price pulled shares of its competitor, USG, up $1⅝ at $21¼.

Early in the day, General Electric shares rose $⅛ at $49⅛ on news that it had hired BlackRock Financial Management to help its subsidiary, Kidder, Peabody, to sell its mortgage-backed securities portfolio.

Canada

Toronto stocks were mixed at midday in directionless trading as investors tried to take positions after the rise in US interest rates.

The market took some support from a stronger gold and precious metals index, which rose 38.6 to 3,718.58, but was pressured lower by weaker North American bonds and plunging oil and gas stocks.

The TSE 300 was down 0.18 to 4,168.74 in volume of 25.8m shares valued at C$248.8m.

Brazil

Shares in São Paulo rose 1.1 per cent in light midday trade as positive sentiment after Tuesday's gubernatorial elections triggered buying.

The Bovespa index of the 55 most-active shares was up 550 at 50,037 by 1 pm in turnover of R$152.1m.

Analysts were optimistic that president-elect Fernando Henrique Cardoso's economic reforms would receive a boost after exit polls showed that candidates from the Social Democratic Party had won elections in three major states.

The elected governors are seen as paving the way for congressional approval of economic reforms. Telebras preferred moved forward 1.6 per cent to R$43.70.

Mexico

Stocks rebounded after previous session losses, helped by rising prices of blue chips, especially the ADR of Telmex.

Also helping the upward movement was a slight cut in domestic interest rates.

The IPC index recouped 12.08 at 2,471.23 in light turnover of 11.9m pesos on volume of 1.1m shares.

Telmex L series shares, available to foreign investors, were up 1.1 per cent at 9.16 pesos.

SOUTH AFRICA

Johannesburg picked up modestly, feeling the benefit of a firm London market and a weaker financial rand, although golds ended little changed on bullion price uncertainty. The overall index was 34 better at 5,898, industrials rose 42 to 6,850 and golds eased 1 to 2,167.

De Beers finished 10 cents lower at R99.90, still lacking direction, while Anglos rose R2 to R245.50.

M-Net gained 50 cents at R12.75 after an initial dip following results.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Nov. 11 1994	Dollar terms: % Change over week	Dollar terms: % Change on Dec '93	Local currency terms: Nov. 11 1994	Local currency terms: % Change over week	Local currency terms: % Change on Dec '93
Latin America	(207)	733.23	+0.3	+12.7			
Argentina	(24)	885.56	-2.3	-10.9	543,450.78	-2.3	-10.9
Brazil	(57)	436.37	+5.9	+87.5	1,367,490,534	+5.0	+1,245.7
Chile	(25)	913.46	+0.0	+47.4	1,343.41	+0.0	+40.9
Colombia[1]	(11)	798.49	-4.2	+23.9	1,169.55	-4.7	+26.2
Mexico	(67)	902.91	-2.2	-10.3	1,339.26	-1.9	-0.8
Peru[2]	(11)	190.19	-0.5	+57.2	253.72	-2.0	+59.5
Venezuela[3]	(12)	474.06	-9.0	-19.9	1,851.25	-9.0	+30.2
Asia	(558)	263.90	-2.9	-9.3			
China[4]	(18)	99.42	-3.1	-33.4	107.01	-3.1	-34.8
South Korea[5]	(156)	154.76	+1.1	+31.0	162.18	+1.2	+29.2
Philippines	(19)	318.34	-3.7	-6.5	369.09	-6.1	-16.9
Taiwan, China[6]	(90)	148.63	+1.8	+9.9	145.78	+2.1	+9.0
India[7]	(76)	126.80	-5.0	+8.9	141.48	-5.0	+9.8
Indonesia[8]	(38)	108.45	-2.5	-13.0	128.25	-2.3	-9.9
Malaysia	(104)	283.30	-3.4	-16.4	267.32	-3.6	-20.7
Pakistan[9]	(15)	396.42	+1.8	+2.2	551.24	+1.8	+4.4
Sri Lanka[10]	(5)	198.17	+0.3	+10.7	206.69	+0.4	+9.3
Thailand	(55)	428.35	-4.4	-10.3	424.52	-4.3	-12.1
Euro/Mid East	(125)	118.89	+2.8	-27.8			
Greece	(25)	216.37	-2.1	-5.0	345.01	-1.9	-10.5
Hungary[11]	(5)	176.85	-1.4	+6.1	231.42	-1.0	+14.3
Jordan	(13)	154.71	+1.4	-6.5	226.35	+1.8	-5.5
Poland[12]	(12)	463.48	-7.7	-40.9	714.94	-6.6	-35.2
Portugal	(25)	128.39	+1.5	+12.6	137.28	+1.5	-0.6
Turkey[13]	(40)	127.74	+7.2	-39.9	2,190.26	+7.8	+50.3
Zimbabwe[14]	(5)	264.00	-0.3	+30.8	324.08	-1.0	+51.7
Composite	(890)	352.82	-0.9	-0.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Aug 4 1989; (14)July 2 1993.

Manila has fallen by 17 per cent in local currency terms since the start of the year, and by 6.5 per cent in dollar terms, according to IFC data, although more recently the equity market has found support due to the strength of the peso against the dollar.
This has proved to be a testing time for companies closely linked to the dollar, such as PLDT and PNB, which have seen respective 15 per cent and 19 per cent falls in their share prices over the last month.
According to Asia Equity, the appreciation of the peso could well continue for the rest of the year, possibly ending 1994 at between 23 to 24 pesos to the dollar. However, a depreciation could well begin early in 1995, following an expected balance of payments deficit.
Asia Equity forecasts that the index will correct to 2,800 in the short term, pressured by further weakness in the major blue chips and property stocks.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 15 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 14 1994: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (68)	167.40	1.3	156.83	103.94	134.50	147.79	1.0	3.86	165.32	154.66	102.86	132.82	146.35	189.15	149.36	154.25
Austria (16)	178.27	0.4	167.01	110.69	143.23	143.20	0.3	1.12	177.64	166.16	110.52	142.71	142.75	198.89	167.46	174.44
Belgium (35)	167.33	0.0	156.76	103.89	134.44	131.22	0.1	4.21	167.27	156.49	104.07	134.38	131.08	177.04	151.56	151.74
Brazil (28)	186.20	0.2	174.44	115.61	149.60	285.84	0.0	0.72	185.75	173.77	115.57	149.23	285.84	-	-	-
Canada (103)	130.98	-0.6	122.71	81.33	105.24	129.25	-0.2	2.64	131.82	123.32	82.01	105.90	129.51	145.31	120.54	134.01
Denmark (33)	249.34	0.9	233.59	154.81	200.32	204.88	1.0	1.45	247.10	231.17	153.74	198.52	202.88	275.79	230.27	237.99
Finland (24)	192.44	-1.2	180.29	119.48	154.61	189.70	-0.4	0.74	194.86	182.29	121.23	156.54	190.43	201.41	116.85	118.51
France (101)	170.76	0.8	159.98	106.02	137.20	142.25	0.7	3.05	169.39	158.46	105.38	136.08	141.23	185.37	159.34	163.82
Germany (58)	143.98	0.9	134.89	89.40	115.68	115.68	0.9	1.79	142.75	133.54	88.81	114.68	114.68	150.40	128.37	132.10
Hong Kong (56)	387.89	1.8	363.21	240.71	311.49	384.67	1.8	3.11	380.96	356.40	237.62	306.06	378.02	506.56	341.29	394.33
Ireland (14)	200.40	-0.4	187.75	124.43	161.02	181.77	-0.2	3.52	201.17	188.20	125.15	161.62	182.21	216.80	172.05	177.34
Italy (59)	77.99	0.0	73.06	48.42	62.66	92.28	-0.1	1.70	77.99	72.96	48.52	62.66	92.40	97.78	57.88	62.27
Japan (468)	156.28	0.9	146.41	97.03	125.57	97.03	0.7	0.79	154.89	144.90	96.37	124.44	96.37	170.10	124.54	145.99
Malaysia (97)	535.30	3.2	501.50	332.37	430.09	528.50	3.2	1.58	518.79	485.34	322.77	416.80	511.88	621.63	430.71	475.78
Mexico (18)	2004.26	-1.1	1877.68	1244.43	1610.29	7561.94	-1.0	1.35	2026.70	1895.99	1260.92	1628.21	7641.48	2647.08	1696.28	1874.84
Netherland (19)	215.21	0.7	201.62	133.69	172.91	170.20	0.7	3.40	213.80	200.01	133.02	171.77	166.10	223.30	187.01	191.98
New Zealand (14)	74.30	-0.6	69.61	46.13	59.69	63.59	-0.7	4.57	74.76	69.94	46.51	60.06	64.02	77.59	59.22	59.98
Norway (23)	196.15	0.5	183.80	121.81	157.62	180.12	0.6	1.84	195.26	182.67	121.48	156.87	178.97	211.74	165.52	176.16
Singapore (44)	393.62	0.6	368.77	244.40	316.26	267.01	0.7	1.58	390.14	364.98	242.73	313.44	265.17	401.38	294.66	313.00
South Africa (59)	335.36	0.6	314.17	208.22	269.43	300.89	0.2	2.13	333.46	311.68	207.48	267.91	300.30	342.00	205.55	217.69
Spain (36)	143.37	1.2	134.31	89.01	115.18	139.86	1.2	4.18	141.67	132.54	88.14	113.82	137.97	155.79	128.88	137.11
Sweden (36)	241.20	0.2	225.97	149.76	193.78	261.39	0.7	1.53	240.68	225.16	149.74	193.36	259.54	242.68	175.83	198.28
Switzerland (47)	163.33	-0.2	153.01	101.41	131.22	131.58	-0.1	1.85	163.65	163.10	101.82	131.47	131.71	176.56	146.04	147.06
Thailand (46)	176.61	1.4	165.45	109.66	141.89	171.60	1.5	2.03	174.09	162.66	108.31	139.86	168.95	-	-	-
United Kingdom (204)	201.56	1.1	188.83	125.15	161.95	188.83	1.2	4.08	199.42	186.55	124.07	160.21	186.55	214.96	181.11	186.68
USA (515)	190.17	-0.2	178.13	118.07	152.79	190.17	-0.2	2.88	190.55	178.26	118.55	153.09	190.55	196.04	178.95	188.81
Americas (684)	177.77	-0.2	166.54	110.38	142.83	147.74	-0.2	2.80	178.16	166.69	110.86	143.15	148.06	-	-	-
Europe (707)	172.98	0.7	162.05	107.40	138.97	152.61	0.8	3.06	171.75	160.67	106.86	137.98	151.62	176.56	154.79	157.81
Nordic (116)	229.45	0.1	214.96	142.47	184.35	212.76	0.6	1.39	229.21	214.42	142.60	184.14	211.56	233.91	173.16	187.80
Pacific Basin (793)	165.03	1.0	155.55	103.09	133.40	107.83	0.8	1.13	164.39	153.73	102.24	132.02	106.92	176.86	134.79	154.98
Euro-Pacific (1500)	168.84	0.9	158.18	104.83	135.65	125.58	0.8	1.97	167.34	156.55	104.11	134.44	124.56	175.14	143.88	158.04
North America (618)	186.50	-0.2	174.72	115.79	149.84	185.99	-0.2	2.87	186.91	174.85	116.29	150.13	186.37	192.78	175.67	185.50
Europe Ex. UK (503)	154.00	0.5	144.27	95.62	123.73	131.66	0.5	2.47	153.24	143.35	95.34	123.11	130.99	158.12	135.94	139.17
Pacific Ex. Japan (325)	259.87	1.7	243.46	161.35	208.80	229.79	1.6	2.83	255.47	238.99	158.94	205.24	226.08	298.21	232.54	241.53
World Ex. US (1708)	170.87	0.5	159.90	105.97	137.13	129.27	0.8	1.97	169.29	158.37	105.32	136.00	128.30	176.65	145.58	157.06
World Ex. UK (2019)	173.65	0.4	162.68	107.82	139.51	143.94	0.3	2.09	172.67	161.81	107.61	138.66	143.47	178.59	155.96	164.76
World Ex. Japan (1755)	188.51	0.3	176.60	117.04	151.45	178.26	0.3	2.89	187.97	175.99	116.95	151.01	177.71	195.20	176.34	179.45
The World Index (2223)	176.10	0.5	164.98	109.34	141.49	147.97	0.4	2.29	175.30	163.99	109.06	140.68	147.35	180.80	158.85	166.71

Latest prices were unavailable for this edition. Market closed 15/11/94: Brazil.

EUROPE

Diffident response to Fed rate rise

Equity markets throughout continental Europe reacted diffidently to the 75 basis-point rise in US short-term interest rates, with many finding it difficult to make any headway. While the absence of Germany, closed for a national holiday, may have played a small part in the day's aimless search for direction, the main cause seemed to be a feeling that the Fed might not have acted decisively enough. With fears that the US economy is still expanding more quickly than desirable, the thought in some quarters is that it might not be too long before the Fed has to act again.

MILAN was preoccupied by the progress of parliamentary confidence votes on the pension package, although losses were tempered by some renewed buying by domestic funds, and hopes for a more buoyant December account, starting today. The Comit index fell 3.12 to 640.41.

Ferruzzi provided a flurry of excitement, gaining L58 or 4.5 per cent at L1,347, as speculation resurfaced of a merger with Montedison, its industrial subsidiary, as part of the group's restructuring. Montedison reacted negatively to the rumours, declining L17 to L1,237, as analysts questioned the benefits for the company.

Banks were mostly lower as recent bid fever subsided. BCI shed L11 to L3,557 with the expiry of its unsuccessful bid for Ambroveneto, which gave up L66 to L4,288.

Credito, however, picked up L17 to L1,677 as its bid for control of Credito Romagnolo remained on the table. Romagnolo dipped L246 to L16,047.

ZURICH was higher as investors switched from financials and insurance issues and into industrials, which found renewed support in the strength of the dollar. The SMI index rose 17.5 to 2,609.4.

Nestlé was a beneficiary of the strong dollar in the run-up to its financial year-end, gaining SFr26 at SFr1,221 and reversing the recent downward pressure.

Holderbank rose SFr19 to SFr1,068, extending a long period of gains on positive expectations for 1994 results and speculation that a bank would soon issue covered warrants on the shares.

BBC was SFr10 firmer at SFr1,109 ahead of nine-month figures due tomorrow which are expected to show double-figure operating earnings growth but flat sales, compared with a very strong year-earlier performance.

Ciba, which confirmed on Tuesday that it was in talks to acquire a sizeable minority stake in Chiron, the US biotechnology group, rose SFr18 to SFr771, with strong demand seen from London investors.

PARIS found the going hard and ended the day with the CAC-40 index off 4.33 at 1,950.20, having traded in a range between 1,964 and 1,929. Turnover remained moribund at about FFr3.5bn.

Axa, the insurer, went against the trend with an advance of FFr7.30 to FFr269.00 after announcing a rise in nine-month turnover to FFr73bn from FFr69bn.

However, this was among the few exceptions to the drift downwards. Confirmation that the Renault privatisation was only 1.4 times subscribed by retail investors may also have contributed to weakness – the car maker is due for listing today. Euro Disney, which could find its place in the CAC-40 threatened by Renault, dropped another 5 per cent to FFr8.60.

AMSTERDAM could also barely bring itself to move and the AEX index slipped back just 0.11 to 412.10.

The lack of momentum was reflected in the performances of dollar-sensitive issues such as Royal Dutch and Unilever, both of which fell on the day, by 40 cents and 70 cents respectively to Fl 189.70 and Fl 198.10.

Elsewhere, Philips, which was the day's most active stock, dipped 50 cents to Fl 54.00, while Polygram added the same amount at Fl 77.00, and announced that it had acquired a US recording company for $33m.

MADRID gave up early gains to end lower and the general index finished 2.48 down at 302.76. Repsol receded Pta95 to Pta3,955 after posting lower than expected nine-month earnings.

OSLO was higher in lively trading on small advances in the opinion polls for supporters of EU membership ahead of the country's referendum on November 28. The polls, however, still show opponents of EU membership retaining the upper hand. The All-share index finished 1.66 higher at 605.31.

STOCKHOLM turned back from its best levels on profit-taking, and the Affärsvärlden index was finally 9.90 ahead at 1,514.50. Volvo "B" put on SKr1 at SKr142.50 as investors reassessed the group's nine-month results.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Nov 16 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1354.05	1353.89	1354.09	1355.86	1357.17	1361.50	1359.83	1358.69
FT-SE Eurotrack 200	1418.30	1418.41	1418.33	1421.25	1421.04	1425.32	1421.49	1421.32

	Nov 15	Nov 14	Nov 11	Nov 10	Nov 9
FT-SE Eurotrack 100	1354.70	1347.63	1341.71	1343.62	1345.14
FT-SE Eurotrack 200	1415.93	1403.12	1398.62	1405.98	1408.38

Base 1000 (26/10/90); High/day: 100 - 1363.27; 200 - 1426.41 Low/day: 100 - 1353.41 200 - 1417.93 † Partial

ASIA PACIFIC

Region mostly hesitant awaiting US trend

Tokyo

Afternoon buying by dealers helped share prices recoup earlier losses resulting from profit-taking by institutional investors, and arbitrage unwinding, and the Nikkei 225 average finished with a marginal decline, *writes Emiko Terazono in Tokyo.*

The index was off 85.03 at 19,306.86 after a day's high of 19,444.29 and low of 19,252.15. Hedge selling by institutional investors depressed futures, prompting unwinding of arbitrage positions.

Cross trading, or the selling and buying of shares by investors realising profits while not altering their stock portfolios, boosted activity. Volume totalled 240m shares, against 218m. Traders said the amount of "real" stock transactions were minimal.

The rise in US interest rates and the subsequent appreciation of the dollar failed to affect sentiment. "Investors were using the Federal Open Market Committee's meeting as an excuse for inactivity," said a dealer.

The Topix index of all first section stocks dipped 3.14 to 1,525.50 and the Nikkei 300 lost 0.59 at 280.21, while falls led rises by 502 to 446, with 216 issues unchanged. The ISE/Nikkei 50 index edged up 0.27 to 1,260.77.

Earnings related announcements affected share prices. Pioneer Electronic fell Y150 to Y2,360 on concern over its consolidated earnings. However, Matsushita Electric Industrial, which saw its consolidated net income for the first six months jump 49 per cent, gained Y30 at Y1,560.

Nishimatsu Construction, which announced that it was expecting to post a record high recurring profit for the current business year, moved ahead Y40 to Y1,040. Murata, a machinery maker, put on Y50 at Y3,980 following reports that its consolidated after-tax profits would surge 40 per cent.

Steel issnes were actively traded. NKK, the day's volume leader, firmed Y2 to Y278, but Sumitomo Metal Industries slipped Y5 to Y336.

Profit-taking depressed some high-technology shares. Fujitsu receded Y10 to Y1,040 and Hitachi softened Y1 to Y973.

Privatisation stocks were firm, with Japan Tobacco up Y5,000 to Y996,000 and Nippon Telegraph and Telephone adding Y1,000 at Y877,000. East Japan Railway, however, lost Y3,000 at Y469,000.

In Osaka, the OSE average declined 28.19 to 21,409.28 in volume of 60.2m shares.

Roundup

Much of the region was in hesitant mood, awaiting further indications of Wall Street's likely performance in coming sessions.

HONG KONG weathered a near day-long bout of profit-taking, amid disappointment at Wall Street's overnight fall after the US interest rate rise, before some late buying tipped the market back into positive territory. The Hang Seng index, which shed 61 points in morning trade, ended a net 26.58 higher at 9,592.24.

Improved earnings prospects and foreign buying helped HKR International to rally 20 cents to HK$7.55, while Seapower Resources added 4 cents at HK$0.93 on bargain hunting.

SEOUL was lower after e consolidation of financial shares, as institutional investors became defensive and individual investors began selling. The composite index dipped 7.05 to 1,118.75.

Unfounded rumours of debt defaults by unlisted construction companies pressured some banks and securities houses, which have extended or guaranteed loans. The financial sub-group index fell 12.99 points to 728.76.

SYDNEY ended a touch easier after negative sentiment from the bond and futures markets spilled over into stocks and pushed the market off its highs. The All Ordinaries index lost 1.1 at 1,940.3.

Stocks were mixed overall, with resources issues finishing a shade firmer but industrials closing lower. Western Mining picked up 10 cents to A$7.65 and MIM was 6 cents ahead at A$2.60 as they continned to rebound after the heavy selling last week.

KUALA LUMPUR saw widespread profit-taking drag equity prices back after initial gains. The composite index, which had risen by 40 points over the previous two sessions, declined from a day's best of 1,079.64 to close 6.59 down on the day at 1,063.15.

SINGAPORE held on to small gains at the close and the Straits Times Industrial index ended 5.32 up at 2,346.50, off an intraday peak of 2,353.92. However, the UOB OTC index, tracking Malaysian stocks, retreated 7.68 to 1,189.79.

BANGKOK was slightly lower on profit-taking in finance stocks as the market entered a period of consolidation. The SET index eased 7.70 to 1,489.15.

KARACHI sank sharply at the close as local investors and institutions kept to the sidelines, short of cash and unnerved by political tension. The KSE 100-share index weakened 17.27 to 2,161.64.

TAIPEI remained preoccupied ahead of next month's elections and the weighted index gave up 35.02 at 6,346.78 as nervous investors continued to drift out of the market.

BOMBAY rebounded 1.94 per cent on renewed buying by domestic mutual funds and speculators after the sharp falls of the previous week. The BSE 30-share index, which lost more than 280 points last week, recouped 78.30 at 4,113.79.